

May 26, 2011

**VIA ELECTRONIC FILING AND HAND DELIVERY**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: WC Docket No. 10-90 Connect America Fund  
GN Docket No. 09-51 A National Broadband Plan for Our Future  
WC Docket No. 07-135 Establishing Just and Reasonable Rates for  
Local Exchange Carriers  
WC Docket No. 05-337 High-Cost Universal Service Support  
CC Docket No. 01-92 Developing a Unified Intercarrier  
Compensation Regime  
CC Docket No. 96-45 Federal-State Joint Board on Universal Service  
WC Docket No. 03-109 Lifeline and Link-Up  
**NOTICE OF EX PARTE PRESENTATION**

Dear Ms. Dortch:

On May 26, 2011, Douglas Kitch and Vincent Wiemer, principals of Alexicon Telecommunications Consulting, and I met with Rohit Dixit, Kevin King, Victoria Goldberg, Lynn Engledow, Douglas Slotten, and Daniel Ball, of the Wireline Competition Bureau.

During this meeting, we discussed the Commission's pending universal service fund and intercarrier compensation reform proceeding, specifically, the intercarrier compensation issues before the Commission. We described a model developed by Alexicon which would provide for intercarrier compensation reform in a manner which would achieve the Commission's goals, including its broadband deployment goals, and which would avoid adverse consequences for the nation's rural local exchange carriers, including those to whom Alexicon provides consulting services. A hard copy of the presentation which was made during the meeting is enclosed with this letter. Positions expressed by and on behalf of Alexicon were consistent with its prior written submissions in this proceeding.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. Please direct any questions regarding this submission to undersigned counsel.

Sincerely,

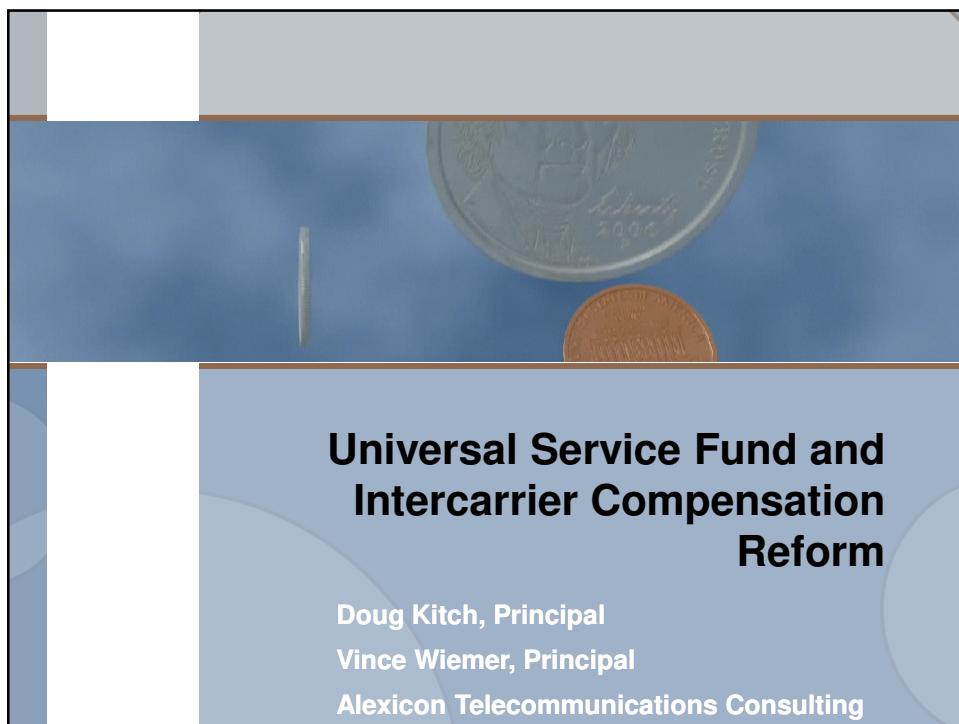


Mitchell F. Brecher

Enclosure

cc: Mr. Rohit Dixon  
Mr. Kevin King  
Ms. Victoria Goldberg  
Ms. Lynne Engledow  
Mr. Douglas Slotten  
Mr. Daniel Ball

# Enclosures

The slide has a vertical decorative strip on the left side featuring a close-up of a coin. The title 'Introduction' is centered at the top in a large blue font. The main content consists of three bullet points in black text on a white background.

## **Introduction**

- Alexicon Telecommunications Consulting provides management consulting services to approximately two dozen independent local exchange carriers serving rural areas.
- Alexicon's clients include privately-owned, co-operatives, and tribal companies in ten states and represent communities ranging from 250 to 40,000 access lines.
- Alexicon advises its clients on rate-of-return (RoR) regulation, universal service funding, intercarrier compensation, and interconnection issues among other services.

© Alexicon, Inc. - 2011

## The Alexicon Plan for USF/ICC Reform

### ■ The Broadband High Cost Loop Fund

- ▶ Include broadband equipment categories in a broadband-based high cost loop algorithm
- ▶ No changes to separations rules or record-keeping requirements needed
- ▶ Provides for Rural and Non-rural Carriers, can be applied to Wireless Carriers
- ▶ Support for broadband equipment currently recovered via special access rates is quantified and removed to avoid “double recovery” (Broadband HCL Adjustment)

© Alexicon, Inc. - 2011

## The Alexicon Plan for USF/ICC Reform (cont'd)

### ■ Middle Mile Support

- ▶ Include middle mile cost as a part 32 transmission cost (acct 6232) which would allow the recovery of costs through the Broadband HCL Fund and ratemaking.

### ■ Local Switching Support (reformed)

- ▶ Ratchet down the Dial Equipment Minutes (DEM) weighting threshold from the current levels to only support companies with less than 15,000 lines
  - ✓ Would remove approximately \$190M for calendar year 2011

### ■ Interstate Common Line Support (includes Intercarrier Compensation Reform)

© Alexicon, Inc. - 2011



## The Intercarrier Compensation System

- ICC is a system of payments between carriers to compensate each other for the origination, transport and termination of telecommunications traffic
  - ▶ For rate of return (RoR) carriers, ICC recovers the cost of the network used
- Types of ICC
  - ▶ Access Rates (est. 1983 after AT&T Divestiture)
    - ✓ Uniform mechanism to recover the cost of providing access services needed to complete interstate and foreign telecommunications
  - ▶ Reciprocal Compensation (est. in the 1996 Act)
    - ✓ Applied to the transport and termination of telecommunications within the same local calling area (e.g., CMRS traffic)

© Alexicon, Inc. - 2011



## The Intercarrier Compensation System (continued)

- Complicating Factors
  - ▶ Rate application depends on:
    - ✓ Call jurisdiction (interstate, intrastate, local)
    - ✓ Type of carriers involved (ILECs, CLECs, IXC, CMRS, VoIP)
    - ✓ Type of traffic (wireline voice, wireless voice, ISP-bound, data)
  - ▶ Different issues for RoR and Price Cap carriers
- Contributing Factors to ICC
  - ▶ Subscriber Line Charges
  - ▶ Interstate Common Line Support (ICLS) and Interstate Access Support (IAS)

© Alexicon, Inc. - 2011



## Problems with the ICC System

- NPRM notes the following fundamental problems:
  - ▶ Per-minute structure is outdated;
  - ▶ Rates vary for different types of providers or origination location despite same function performed (and facilities used);
  - ▶ Above cost rate structure creates incentives to retain old technologies and engage in regulatory arbitrage;
  - ▶ Technological changes result in declining compensable minutes.

© Alexicon, Inc. - 2011



## Problems with the ICC System (continued)

- Alexicon notes the following additional problems for RoR carriers:
  - ▶ Compensation agreements are designed for direct interconnection situations and most RoR companies are indirectly connected with IXC, VoIP, CLECS, and CMRS carriers
    - ✓ Indirect business relationships create compensation issues
  - ▶ Vast balance of traffic differences for small carriers
  - ▶ Separations rules will always create disparate Interstate/Intrastate rates for RoR carriers

© Alexicon, Inc. - 2011





## Goals of ICC Reform

- Reforms should reflect the fundamental shifts in technology, consumer behavior, and competition
- Create proper incentives for carriers to invest in broadband technologies
- Remove regulatory arbitrage opportunities that lead to phantom traffic and improper access stimulation

© Alexicon, Inc. - 2011



## Intercarrier Compensation Recovery Issues

- Cost Recovery vs. Revenue Recovery
- Quantifying ICC for Rural Carriers
- ICC and USF principles
  - ▶ NPRM recognizes the need for explicit support mechanisms
- Regulatory Arbitrage Issues:
  - ▶ VoIP Compensation
  - ▶ Phantom Traffic
  - ▶ Access Stimulation Issues

© Alexicon, Inc. - 2011



## IP Network Issues

### ■ Measurement

- ▶ In a TDM network, a telephone call uses a dedicated circuit for a specific and measurable quantity of time
- ▶ IP traffic is transmitted in 'packets' and can be separately addressed and routed.
  - ✓ Concurrent applications and multiple communications occur simultaneously using the same resources making time-based metering difficult.
  - ✓ VoIP is a current exception because it is interconnected to the PSTN so minutes of use can be measured.

© Alexicon, Inc. - 2011

## IP Network Issues (continued)

### ■ Compensation between IP Providers

- ▶ Transit Compensation – for indirect traffic includes a cost for the capacity of the data link (access), the capacity of the network device port it is attached to (port), and data utilization (usually called 'commit' and 'burst' rates).
  - ✓ The commit rate is the minimum amount of data the user will be charged for and may be less than the capacity of the access link or port.
  - ✓ Burst rate refers to the data utilization that is over the commit rate and is usually billed at a higher cost.
- ▶ Peering Compensation –two or more IP network providers directly interconnect to exchange traffic and may or may not charge each other.
  - ✓ This is common between larger providers and resembles telecommunications 'reciprocal compensation' arrangements.

© Alexicon, Inc. - 2011

## Alexicon's ICC Reform Principles

- Reforms must be technology-neutral and jurisdictionally consistent to create a level field for competition and remove regulatory arbitrage opportunities.
- Rules must be flexible to account for continually changing technologies as well as the different incentives of Price Cap and RoR carriers.
  - ▶ Consistent with the transition to an all-IP network
- Explicit support mechanisms are needed to maintain affordable service in high-cost, insular, and Tribal areas.
- Cost Causation = “No free rides”
  - ▶ The distribution channel for voice and broadband should be paid for by the cost causers/beneficiaries.
  - ▶ The USF contribution base is integral to ICC Reform and cost causation

© Alexicon, Inc. - 2011

## Alexicon's ICC Reform Principles (continued)

- Recovery of costs/revenues affected by ICC reform should not be “offset” by non-regulated revenues.
  - ▶ FCC does not have the authority to recover the costs of Title II services with revenues of Title I services.
  - ▶ Cross-subsidization of regulated services by non-regulated services is specifically contrary to the 1996 Act and Part 64 rules.
  - ▶ Creates a perverse incentive to reduce/eliminate non-regulated revenues.
  - ▶ Disregards business reality and affiliate transaction rules.
    - ✓ Non-regulated services already pay the higher of cost or market for the use of any regulated service/facility

© Alexicon, Inc. - 2011



## Alexicon's ICC Reform Proposal

### All Carriers

- A unified rate should apply to all carriers (ILEC, CLEC, CMRS, VoIP) and all jurisdictions (interstate, intrastate, local) to eliminate regulatory arbitrage.
- Lost ICC Revenue should be recovered through explicit support mechanisms.
  - ▶ Effective interstate recovery mechanisms (SLCs, USF contributions, etc.) for lost ICC revenue should be applied to all cost causers/beneficiaries of the system.
- Bill-and-Keep is not appropriate because most carrier relationships have uneven balances of traffic originated/terminated.

© Alexicon, Inc. - 2011



## Alexicon's ICC Reform Proposal

### Rate of Return Carriers

- Proposal: Modify the current MAG shift adjustment to move the entire traffic sensitive switched access revenue requirement to the common line element.
- Interstate Common Line Support is the obvious mechanism for recovery of other access rate amounts shifted due to Intercarrier Compensation reform.
  - ▶ ICLS helps to offset interstate access charges and is designed to permit each RoR carrier to recover its common line revenue requirement, while ensuring that subscriber line charges (SLC) remain affordable.
- All other aspects of the ICLS should remain the same.

© Alexicon, Inc. - 2011

# Alexicon's ICC Reform Proposal

## Rate of Return Carriers (continued)

### Special access

- Can remain the same; transition to IP services is well underway
- Traditional rate elements for special access translate similarly to IP services
  - ✓ Access replaces channel termination
  - ✓ Port replaces mileage termination
  - ✓ Data utilization replaces MOU

© Alexicon, Inc. - 2011

Schedule: ARNCA Pool													
COMMON LINE SWITCHED ACCESS SPECIAL													
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
Line	Amount/Category	Company Total	Interstate	Carrier Common Line	Base Factor Portion	Eq. Acc.	Local Switching	Information	Tiered Switching	Other Transport	Int'l. Acc.	BAC	Inter. exchange
1	Rate Base	\$ 9,616,046	\$ 4,007,741	\$ -	\$ 1,595,278	\$ -	\$ 516,835	\$ -	\$ -	\$ 133,025	\$ 1,762,003	\$ -	\$ -
2	Rate of Return	20.52%	22.25%	21.25%	21.25%	21.25%	21.25%	21.25%	21.25%	21.25%	21.25%	21.25%	21.25%
3	Return on Rate Base	\$ 1,011,701	\$ 450,871	\$ -	\$ 179,469	\$ -	\$ 58,144	\$ -	\$ -	\$ 14,965	\$ 198,293	\$ -	\$ -
4	Allowance for Funds Used During Constr.	-	-	-	-	-	-	-	-	-	-	-	-
5	Net Return on Rate Base	\$ 1,011,701	\$ 450,871	\$ -	\$ 179,469	\$ -	\$ 58,144	\$ -	\$ -	\$ 14,965	\$ 198,293	\$ -	\$ -
6	Return on Rate Base, less AFUDC	1,011,701	450,871	-	179,469	-	58,144	-	-	14,965	198,293	-	-
7	Operating Expenses	6,160,242	3,409,950	-	889,318	-	1,602,824	608	-	112,796	782,155	22,550	-
8	Federal Income Taxes	400,979	215,428	-	87,810	-	25,054	-	-	6,941	95,644	-	-
9	State Income Taxes	112,131	50,263	-	20,488	-	5,845	-	-	1,619	22,309	-	-
10	Line Port Shift Adjustment	-	-	-	214,075	-	(214,075)	-	-	-	-	-	-
11	ICC Revenue Allocation	-	-	-	-	-	-	-	-	-	-	-	-
12	ICC Revenue Offset Adjustment	-	-	-	-	-	(1)	(0)	-	(0)	-	-	1
13	ICC Revenue Shift Adjustment	-	-	-	1,014,221	-	(1,477,792)	(608)	-	(1,485,821)	(183,871)	-	183,871
14	Broadband ICL Recovery Adjustment	-	-	-	(1)	-	-	-	-	-	-	-	-
15	Corporate Operations Expense Cap (C.O.C.)	-	-	-	(1)	-	-	-	-	-	-	-	-
16	Revenue Requirement	\$ 7,964,652	\$ 4,126,501	\$ -	\$ 3,005,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 914,699	\$ 22,550	\$ -
17	Revenue Requirement after ICC Reform Shift	\$ 7,964,652	\$ 4,126,501	\$ -	\$ 3,005,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 914,699	\$ 22,550	\$ -
Schedule: ARNCA 2													
COMMON LINE SWITCHED ACCESS SPECIAL													
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
Line	Amount/Category	Company Total	Interstate	Carrier Common Line	Base Factor Portion	Eq. Acc.	Local Switching	Information	Tiered Switching	Other Transport	Int'l. Acc.	BAC	Inter. exchange
1	MAG SHIFT CALCULATION:												
2	Revenue Requirement (before MAG)	\$ 7,964,652	\$ 4,126,501	\$ -	\$ 1,177,084	\$ -	\$ 1,691,867	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -
3	Local Switching Support	(978,285)	-	-	-	-	(978,285)	-	-	-	-	-	-
4	Net Local Switching Revenue Request	\$ 3,148,216	\$ -	\$ -	\$ 1,177,084	\$ -	\$ 713,582	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -
5	Basis of Adjustment	\$ -	\$ -	\$ -	\$ 214,075	\$ -	\$ (214,075)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Rev Request after Line Port Shift Adj. & LSS	\$ 3,148,216	\$ -	\$ -	\$ 1,391,159	\$ -	\$ 499,508	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -
7	LSS-USE Contributions	(86,112)	-	-	-	-	-	-	-	-	-	-	-
8	TIC Revenue (less of TIC or Rev Request)	\$ 3,039,554	\$ -	\$ -	\$ 1,305,047	\$ -	\$ 499,508	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -
9	Basis for TIC Allocation	100.000%	0.000%	0.000%	41.015%	0.000%	36.473%	0.000%	0.000%	6.440%	26.422%	-	-
10	Percentage Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	TIC Revenue Allocation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	TIC Allocation of TIC Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Revenue Requirement after MAG Shift	\$ 4,126,501	\$ -	\$ -	\$ 1,391,159	\$ -	\$ 1,477,792	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -
14	Revenue Requirement after ICC Reform Shift	\$ 4,126,501	\$ -	\$ -	\$ 1,391,159	\$ -	\$ 1,477,792	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -
15	ICC REFORM SHIFT CALCULATION:												
16	Revenue Requirement after Offset	\$ 4,126,501	\$ -	\$ -	\$ 1,391,159	\$ -	\$ 1,477,792	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -
17	Percentage Distribution - Switched Access	100.000%	0.000%	0.000%	41.015%	0.000%	36.473%	0.000%	0.000%	6.440%	26.422%	-	-
18	Basis of Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	% of Traffic Sensitive Rev Request	100%	-	-	-	-	\$ (1,477,792)	\$ (608)	\$ -	\$ (135,821)	\$ -	\$ -	\$ -
20	ICC REFORM SHIFT ADJUSTMENT	\$ -	\$ -	\$ -	\$ 1,614,221	\$ -	\$ (1,477,792)	\$ (608)	\$ -	\$ (135,821)	\$ -	\$ -	\$ -
21	Revenue Requirement after ICC REFORM Shift	\$ 4,126,501	\$ -	\$ -	\$ 3,005,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,098,570	\$ 22,550	\$ -



## Advantages of Alexicon's RoR Proposal

- Effective Switched Access Rate of \$0:
  - ▶ Solves phantom traffic and VoIP compensation issues;
  - ▶ Solves improper access stimulation issues;
  - ▶ Eliminates concerns of decreasing minutes and increasing access rates;
  - ▶ Saves billing costs that can be passed down to consumers.
- Cost Recovery is the proper focus for RoR ICC Reform
  - ▶ Permits each RoR carrier to recover its common line and traffic sensitive switched access revenue requirements;
  - ▶ Consistent with the 1996 Act's dual goals of "moving toward cost-based rates and protecting universal service"

© Alexicon, Inc. - 2011



## Advantages of Alexicon's RoR Proposal (continued)

- Technology Neutral and Forward-Looking
  - ▶ Allows for seamless transition to all-IP network because traffic measurement issues are eliminated;
  - ▶ Removes any disincentives to transition to IP networks
- Efficiently leverages an existing explicit support mechanism
- Does not require a transition period
- Can be quantified:
  - ▶ \$506,149,000 for NECA pool members according to NECA 7/1/10 – 6/30/11 Tariff Review Plan
  - ▶ Does not include RoR carriers filing their own tariffs

© Alexicon, Inc. - 2011

## Challenges to Alexicon's Rate of Return Proposal

- Commission has recognized the need for complimentary State reforms and that States may need support to do so
  - ▶ Interstate/intrastate parity would result in significant lost ICC revenues
  - ▶ Proposal: Increase SPF from 25% to 33.33%
    - ✓ A portion of the common line is used for interstate purposes (25% Subscriber Plant Factor allocation of common line).
    - ✓ Due to broadband, the interstate portion of common line usage will only increase so the allocation to interstate should also increase.
    - ✓ This will reduce the costs that states will need to rebalance.
    - ✓ Change would shift \$474,876,000 from state/local jurisdiction to interstate (based on NECA 7/1/10 to 6/30/11 TRP Common Line Pool Revenue Requirement).

© Alexicon, Inc. - 2011

## Challenges to Alexicon's Rate of Return Proposal (continued)

- State reforms (continued):
  - ▶ State ICC Reforms could be accomplished through a combination of state universal service funds and rebalanced local rates.
- Increased ICLS could be funded through a combination of increased SLCs and increased FUSCs levied equitably on an expanded broadband contribution base.

© Alexicon, Inc. - 2011





## Alexicon's ICC Reform Proposal Price Cap Carriers

- Transition to a IP-based compensation model.
  - ▶ Commercial agreements for indirect interconnection as a "transit" provider.
    - ✓ Transit provider is paid to arrange delivery of Network Customer traffic to anywhere and to accept delivery of traffic from anywhere for Network Customer.
  - ▶ Some regulation is needed as the FCC has recognized in its Net Neutrality proceeding.
- Unify rates and interconnection arrangements for all traffic types and providers.
  - ▶ A default rate (for any traffic received without a compensation agreement) should be established as an interim measure.

© Alexicon, Inc. - 2011



## Alexicon's ICC Reform Proposal Price Cap Carriers (continued)

- Technology Neutral: there should be no difference between wired or wireless; circuit-switched or VoIP treatment and compensation.
  - ▶ Technology neutrality and unified rates eliminate regulatory arbitrage scenarios.
  - ▶ Impose regulatory obligations that are necessary to protect public safety and achieve other important public-interest objectives, such as CALEA, E-911, number portability, and access for persons with disabilities to all carriers.

© Alexicon, Inc. - 2011





## Conclusion

- Alexicon's USF and ICC Reform proposals provide a comprehensive solution to meet the Commission's goals to:
  - ▶ Modernize universal service fund and intercarrier compensation mechanisms;
  - ▶ Create proper incentives to deploy broadband;
  - ▶ Modernize USF and ICC rules to advance IP technology;
  - ▶ Provide efficiency within the USF system and Intercarrier Compensation regime;
  - ▶ Enact reforms that reflect the fundamental shifts in technology, consumer behavior, and competition; and
  - ▶ Remove regulatory arbitrage opportunities that lead to phantom traffic and improper access stimulation.

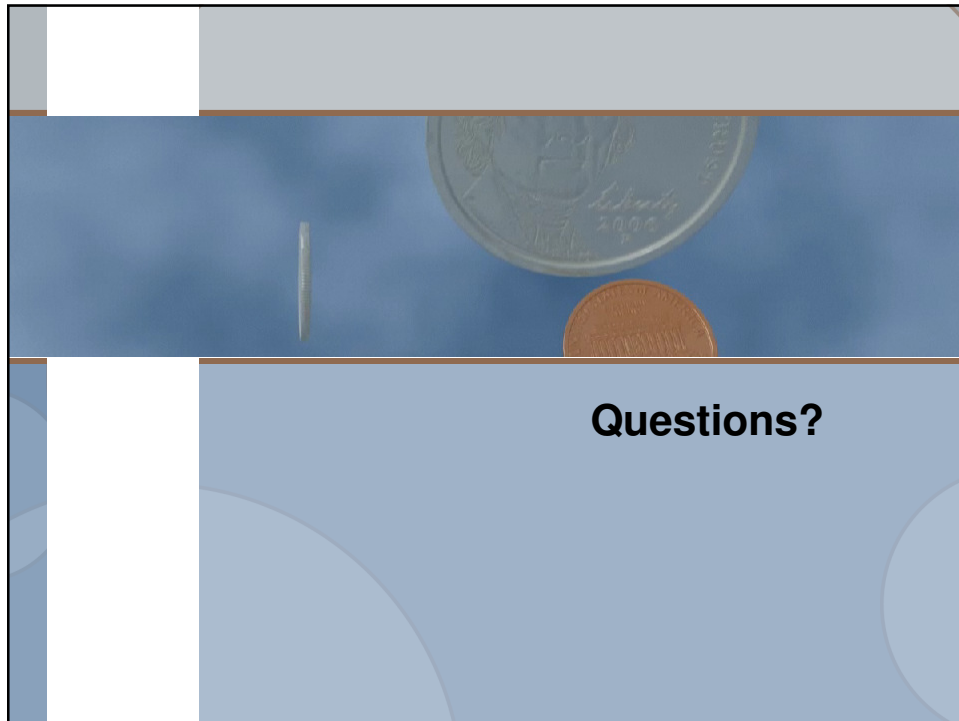
© Alexicon, Inc. - 2011



## Conclusion (continued)

- Efficiently leverages the successful parts of current programs.
  - ▶ Substantial public resources have already been invested in rural networks, rule-making and mechanisms.
  - ▶ These investments should be leveraged for the public benefit whenever possible.
- Technology neutral applications and recognition of differences between rural and non-rural carriers provide solutions for all carriers.

© Alexicon, Inc. - 2011



## Contact Information

**Doug Kitch**  
Alexicon Telecommunications Consulting  
[doug@alexicon.net](mailto:doug@alexicon.net)  
(719) 531-6342

**Vince Wiemer**  
Alexicon Telecommunications Consulting  
[vince@alexicon.net](mailto:vince@alexicon.net)  
(918) 376-9901

The slide has a white background with a vertical strip on the left showing a close-up of coins. The title "Contact Information" is in red. The contact details for Doug Kitch and Vince Wiemer are listed in black text.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**FORECASTED REVENUE REQUIREMENT  
TEST PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011  
(Data in \$000)**

NECA's COMMON LINE POOL PARTICIPANTS

PAY TELEPHONE	\$0
INSIDE WIRE	\$0
BASE FACTOR PORTION	1,344,567
UNIVERSAL SERVICE CONTRIBUTIONS	\$80,061
<b>TOTAL COMMON LINE</b>	<b>\$1,424,628</b>

NECA's TRAFFIC SENSITIVE POOL PARTICIPANTS

LOCAL SWITCHING	\$402,801
LOCAL TRANSPORT	\$99,931
INFORMATION	\$3,417
<b>TOTAL SWITCHED ACCESS</b>	<b>\$506,149</b>
SPECIAL ACCESS	\$595,726

NOTE: REVENUE REQUIREMENTS INCLUDE NECA EXPENSES.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**IMPACT OF GENERAL SUPPORT FACILITIES INVESTMENT ON REVENUE REQUIREMENT \***

(Data in \$000)

	<b><u>Common Line</u></b>	<b><u>Local Switching</u></b>	<b><u>Local Transport</u></b>	<b><u>Other Switched Access</u></b>	<b><u>Total Switched Access</u></b>	<b><u>Special Access</u></b>	<b><u>Billing &amp; Collection</u></b>
Prior to MAG Order General Purpose Computer allocation	\$427,447	\$144,033	\$57,302	\$1,655	\$202,991	\$209,643	\$31,128
With MAG Order General Purpose Computer allocation	\$426,719	\$143,803	\$57,224	\$1,655	\$202,683	\$209,282	\$32,527
\$ Impact	(\$728)	(\$230)	(\$78)	(\$0)	(\$308)	(\$362)	\$1,398
% Impact	-0.17%	-0.16%	-0.14%	0.00%	-0.15%	-0.17%	4.30%

Note: Impact based upon companies listed in Volume 2.

\*47 C.F.R. 69.307

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

FORECASTED REVENUE REQUIREMENT  
TEST PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011  
(Data in \$000)

	NECA TS POOL							NON-TS POOL		Total MAG Impact (J) = (D + G + H + I)	Universal Service Fund Contribution (K)	NECA Expenses (L)	Revenue Requirement including MAG Impact (M) = (A + J + K + L)
	Revenue Requirement prior to MAG Impact* (A)	Local Switching Support (LSS) (B)	Revenue Requirement excluding LSS (C)	NECA Line Port Allocation (D)	Jul '00 - Jun '01 TIC Revenues (E)	TIC Revenue Requirement (F)	TIC Allocation (G)	Line Port Allocation (H)	TIC Allocation (I)				
Common Line (BFP)	\$1,186,352			\$63,308			\$53,417	\$7,830	\$3,934	\$128,489	\$80,061	\$29,727	1,424,628
Cost				\$45,392			\$33,743	\$5,342	\$2,594	\$87,071			
Average Schedule				\$17,916			\$19,674	\$2,488	\$1,340	\$41,418			
Switched Access	\$631,156			(\$63,308)			(\$72,890)			(\$136,198)		\$11,190	\$506,149
Cost				(\$45,392)			(\$46,602)			(\$91,994)			
Average Schedule				(\$17,916)			(\$26,287)			(\$44,204)			
Local Switching	\$448,501	222,541	\$225,960	(\$63,308)			\$8,768			(\$54,540)		\$8,840	\$402,801
Cost				(\$45,392)			\$4,609			(\$40,783)			
Average Schedule				(\$17,916)			\$4,159			(\$13,757)			
Local Transport	\$179,387				\$115,236	\$89,140	(\$81,805)			(\$81,805)		\$2,350	\$99,931
Cost							(\$51,359)			(\$51,359)			
Average Schedule							(\$30,447)			(\$30,447)			
Other Switched Access	\$3,269						\$148			\$148		\$0	\$3,417
Cost							\$148			\$148			
Average Schedule							\$0			\$0			
Special Access	\$559,415						\$23,140			\$23,140		\$13,171	\$595,726
Cost							\$16,343			\$16,343			
Average Schedule							\$6,797			\$6,797			

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**FORECASTED TIC REALLOCATION**  
**TEST PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011**  
(Data in \$000)

**NECA Traffic Sensitive Pool Participants**

**Annual**

TIC Revenues as of June 30, 2001 \$115,236

Adjusted Local Transport Costs shifted for TIC Revenues \$89,140

**TIC Reallocation**

<b>TIC Shift by element:</b>	<b>NECA Traffic Sensitive Pool Participants</b>				<b>Companies not in NECA's TS Pool</b>	<b>Total TIC Reallocation for NECA Pool</b>
	<b>Cost</b>	<b>Average Schedule</b>	<b>Total</b>	<b>TIC</b>		
Common Line	\$33,743	\$19,674	\$53,417		\$3,934	\$57,351
Switched Access	\$8,240	\$4,343	\$12,583	-\$89,140		-\$72,890
Local Switching	\$4,609	\$4,159	\$8,768			\$8,768
Transport	\$3,484	\$183	\$3,667	-\$89,140		-\$81,805
Information	\$148	\$0	\$148			\$148
Special Access	\$16,343	\$6,797	\$23,140			\$23,140
<b>TOTAL TIC SHIFT</b>	<b>\$58,327</b>	<b>\$30,813</b>	<b>\$89,140</b>	<b>-\$89,140</b>		

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**RATE OF RETURN**  
**HISTORICAL COST ANALYSIS SUMMARY (\$000)**

VOLUME 2  
EXHIBIT 2  
Page 1 of 8

----- COMMON LINE -----					
HISTORICAL DATA PERIOD - 2007	SUBJECT TO SEPARATIONS	PAY PHONE	INSIDE WIRE	BFP	TOTAL COMMON LINE
	(D)	(I)	(J)	(K)	(L)
<b>REVENUES</b>					
100 Network Access	N/A	N/A	N/A	N/A	598,823
110 Uncollectibles	N/A	N/A	N/A	N/A	0
120 Common Line Support	N/A	N/A	N/A	N/A	0
130 Long Term Support * (NOTE 1)	N/A	N/A	N/A	N/A	0
135 Interstate Common Line Support * (NOTE 1)	N/A	N/A	N/A	N/A	751,555
140 Transitional	N/A	N/A	N/A	N/A	0
150 Miscellaneous	N/A	N/A	N/A	N/A	0
160 Net Revenues	N/A	N/A	N/A	N/A	1,350,378
<b>EXPENSES</b>					
170 Plant Specific	1,068,565	0	0	162,855	162,855
171 Network Support	22,719	0	0	3,935	3,935
172 General Support	235,198	0	0	40,456	40,456
173 Central Office	395,802	0	0	26,292	26,292
174 Operator Systems	198	0	0	0	0
175 COE Switching	233,751	0	0	0	0
176 COE Transmission	161,853	0	0	26,292	26,292
177 IOT	47	0	0	9	9
178 Cable & Wire Facilities	414,744	0	0	92,163	92,163
180 Plant Non Specific excl Depr & Amort	339,945	0	0	58,611	58,611
190 Depreciation/Amortization	1,256,873	0	0	206,959	206,959
200 Customer Operations	464,362	0	0	48,016	48,016
201 Marketing	88,055	0	0	14,158	14,158
202 Local Business Office	197,165	0	0	29,121	29,121
203 Revenue Accounting	136,712	0	0	3,285	3,285
204 Other Billing and Collections	62,892	0	0	3,107	3,107
210 Access	N/A	N/A	N/A	N/A	0
215 Universal Service Contributions* (NOTE 2)	N/A	N/A	N/A	N/A	76,131
220 Corporate Operations	871,482	0	0	145,066	145,066
230 AFUDC	16,941	0	0	2,944	2,944
240 Other Expenses and Adjustments	(4,991)	0	0	(509)	(509)
250 Taxes Other than FIT	150,381	0	0	33,462	33,462
260 Total Expenses and Other Taxes	4,129,675	0	0	651,516	727,648
<b>NECA ADJUSTMENTS</b>					
261 NECA Administrative Expenses	N/A	0	0	30,752	30,752
262 Average Schedule Settlements	N/A	0	0	246,355	246,355
263 Adjustment for Line Port/TIC	0	0	0	135,663	135,663
264 Total NECA Adjustments	0	0	0	412,770	412,770
<b>FIT ADJUSTMENTS</b>					
270 Adjustments for FIT	135,060	0	0	24,353	24,353
280 Amortized ITC	12	0	0	(0)	(0)
290 Federal Income Taxes	226,207	0	0	41,406	41,406
300 TOTAL EXPENSES AND TAXES	4,355,883	0	0	1,105,692	1,181,823
<b>TELEPHONE PLANT IN SERVICE</b>					
310 General Support	2,794,306	0	0	477,794	477,794
320 Central Office Equipment - Switch	2,492,737	0	0	0	0
321 Operator Systems	7,740	0	0	0	0
322 Tandem Switching	97,994	0	0	0	0
323 Local Switching Cat 3	2,382,064	0	0	0	0
324 Equal Access	4,939	0	0	0	0
330 Central Office Equipment - Trans	4,025,606	0	0	603,991	603,991
331 Subscriber Line	3,351,448	0	0	603,991	603,991
332 Exchange Circuit	674,158	0	0	0	0
333 Interexchange Circuit	2,464,908	0	0	0	0
334 Host Remote	165,053	0	0	0	0
340 Cable and Wire	11,729,252	0	0	2,597,815	2,597,815
341 Subscriber Line	10,559,555	0	0	2,597,815	2,597,815
342 Exchange	456,475	0	0	0	0
343 Interexchange Circuit	548,169	0	0	0	0
344 Host Remote	165,053	0	0	0	0
350 Info Orig/Term Equipment	4,974	0	0	1,230	1,230
360 Amortizable Assets	119,961	0	0	15,546	15,546
370 Total Plant in Service	21,166,834	0	0	3,696,376	3,696,376
<b>ADJUSTMENTS TO TPIS</b>					
380 Depreciation/Amortization Reserve	13,367,421	0	0	2,249,529	2,249,529
390 Accum. Deferred Income Tax	291,066	0	0	48,777	48,777
400 Other Rate Base Adjustments	584,072	0	0	100,196	100,196
<b>RETURN DATA</b>					
410 Average Rate Base	8,092,419	0	0	1,498,265	1,498,265
420 Return	910,397	0	0	168,555	168,555
430 Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Effective 7/1/04, Long-Term Support is folded into Interstate Common Line Support (ICLS). ICLS is recovered from the universal service support program.

NOTE 2: Universal service contributions include amounts for both Cost and Average Schedule companies.



**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**RATE OF RETURN**  
**HISTORICAL COST ANALYSIS SUMMARY (\$000)**

VOLUME 2  
EXHIBIT 2  
Page 2 of 8

----- SWITCHED TRAFFIC SENSITIVE -----

HISTORICAL DATA PERIOD - 2007		LOCAL SWITCHING	EQUAL ACCESS	SS7	INFORMATION	TANDEM SWITCHING	LOCAL TRANSPORT	HOST REMOTE	TOTAL SWITCH TRFFC SNSTV	SPECIAL ACCESS
		(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)
<b>REVENUES</b>										
100	Network Access	196,350	0	0	3,181	6,773	90,336	21,218	317,858	492,470
110	Uncollectibles * (NOTE 1)	5	0	0	0	0	3	0	8	16
120	Local Switching Support * (NOTE 2)	264,613	N/A	N/A	N/A	N/A	N/A	N/A	264,613	N/A
130	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
135	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
140	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
150	Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
160	Net Revenues	460,958	0	0	3,181	6,773	90,333	21,218	582,463	492,454
<b>EXPENSES</b>										
170	Plant Specific	112,940	0	0	3	1,011	19,879	5,051	138,883	69,462
171	Network Support	1,443	0	0	0	41	336	104	1,925	1,601
172	General Support	14,572	0	0	0	336	3,844	1,150	19,903	15,814
173	Central Office	96,909	0	0	2	634	10,893	2,015	110,453	33,441
174	Operator Systems	0	0	0	2	0	0	0	3	0
175	COE Switching	96,909	0	0	0	634	0	0	97,543	0
176	COE Transmission	0	0	0	0	0	10,893	2,015	12,907	33,441
177	IOT	0	0	0	0	0	0	0	0	0
178	Cable & Wire Facilities	0	0	0	0	0	4,806	1,782	6,588	18,606
180	Plant Non Spec excl Depr & Amort	20,327	0	0	0	474	5,475	1,677	27,952	23,423
190	Depreciation/Amortization	89,775	0	0	0	2,007	22,255	6,725	120,762	100,943
200	Customer Operations	19,051	0	0	2,117	489	4,518	1,178	27,352	16,434
201	Marketing	3,767	0	0	0	93	852	266	4,978	4,507
202	Local Business Office	5,339	0	0	2	117	1,289	327	7,076	1,249
203	Revenue Accounting	9,230	0	0	0	260	2,242	550	12,282	10,192
204	Other Billing and Collections	0	0	0	0	0	0	0	0	0
210	Access	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
220	Corporate Operations	75,090	0	0	917	931	14,108	3,443	94,488	49,832
230	AFUDC	916	0	0	0	25	402	77	1,420	1,667
240	Other Expenses and Adjustments	131	0	0	(6)	5	4	45	179	51
250	Taxes Other than FIT	9,899	0	0	2	267	3,040	818	14,026	13,386
260	Total Expenses and Other Taxes	326,295	0	0	3,033	5,158	68,878	18,859	422,223	271,864
261	NECA Administrative Expenses	8,622	0	0	0	189	1,211	492	10,515	8,603
262	Average Schedule Settlements	144,489	0	0	0	4,758	62,591	11,377	223,216	102,780
263	Adjustment for Line Port/TIC	(60,675)	0	0	148	(4,762)	(64,034)	(15,337)	(144,659)	24,817
264	Total NECA Adjustments	92,437	0	0	148	185	(231)	(3,467)	89,072	136,200
<b>FIT ADJUSTMENTS</b>										
270	Adjustments for FIT	6,731	0	0	0	140	3,446	685	11,002	11,867
280	Amortized ITC	4	0	0	(0)	0	(2)	0	3	(10)
290	Federal Income Taxes	8,181	0	0	0	166	4,436	937	13,720	15,882
300	TOTAL EXPENSES AND TAXES	426,913	0	0	3,181	5,509	73,082	16,329	525,015	423,946
<b>TELEPHONE PLANT IN SERVICE</b>										
310	General Support	169,105	0	0	2	4,509	47,619	14,925	236,160	191,096
320	Central Office Equipment - Switch	1,057,181	0	0	5	28,162	0	0	1,085,348	0
321	Operator Systems	26	0	0	5	0	0	0	32	0
322	Tandem Switching	0	0	0	0	28,162	0	0	28,162	0
323	Local Switching Cat 3	1,053,603	0	0	0	0	0	0	1,053,603	0
324	Equal Access	3,552	0	0	0	0	0	0	3,552	0
330	Central Office Equipment - Trans	0	0	0	0	0	158,022	44,687	202,710	739,233
331	Subscriber Lines	0	0	0	0	0	0	0	0	233,853
332	Exchange Circuit	0	0	0	0	0	0	0	0	493,511
333	Interexchange Circuit	0	0	0	0	0	158,022	0	158,022	11,868
334	Host Remote	0	0	0	0	0	0	44,687	44,687	0
340	Cable and Wire	0	0	0	0	0	144,318	52,571	196,888	537,013
341	Subscriber Lines	0	0	0	0	0	0	0	0	38,579
342	Exchange	0	0	0	0	0	1,334	0	1,334	283,505
343	Interexchange Circuit	0	0	0	0	0	142,984	0	142,984	214,929
344	Host Remote	0	0	0	0	0	0	52,571	52,571	0
350	Info Orig/Term Equipment	0	0	0	0	0	0	0	0	0
360	Amortizable Assets	4,005	0	0	0	45	15,474	896	20,420	7,344
370	Total Plant in Service	1,230,291	0	0	8	32,715	365,433	113,079	1,741,526	1,474,686
<b>ADJUSTMENTS TO TPIS</b>										
380	Depreciation/Amortization Reserve	937,545	0	0	6	21,974	219,402	71,040	1,249,968	892,834
390	Accum. Deferred Income Tax	23,522	0	0	(0)	322	4,919	1,245	30,009	22,895
400	Other Rate Base Adjustments	33,404	0	0	0	813	12,226	2,657	49,100	50,002
<b>RETURN DATA</b>										
410	Average Rate Base	302,628	0	0	2	11,233	153,337	43,451	510,650	608,959
420	Return	34,046	0	0	0	1,264	17,250	4,888	57,448	68,508
430	Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Uncollectibles excludes Global Crossing and WorldCom bankruptcies.

NOTE 2: Local Switching Support is recovered from the universal service support program.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**RATE OF RETURN**  
**HISTORICAL COST ANALYSIS SUMMARY (\$000)**

VOLUME 2  
EXHIBIT 2  
Page 3 of 8

----- COMMON LINE -----						
HISTORICAL DATA PERIOD - 2008		SUBJECT TO SEPARATIONS	PAY PHONE	INSIDE WIRE	BFP	TOTAL COMMON LINE
		(D)	(I)	(J)	(K)	(L)
<u>REVENUES</u>						
100	Network Access	N/A	N/A	N/A	N/A	594,113
110	Uncollectibles	N/A	N/A	N/A	N/A	5
120	Common Line Support	N/A	N/A	N/A	N/A	0
130	Long Term Support * (NOTE 1)	N/A	N/A	N/A	N/A	0
135	Interstate Common Line Support * (NOTE 1)	N/A	N/A	N/A	N/A	784,315
140	Transitional	N/A	N/A	N/A	N/A	0
150	Miscellaneous	N/A	N/A	N/A	N/A	0
160	Net Revenues	N/A	N/A	N/A	N/A	1,378,423
<u>EXPENSES</u>						
170	Plant Specific	1,108,442	0	0	169,818	169,818
171	Network Support	23,694	0	0	4,130	4,130
172	General Support	239,836	0	0	41,581	41,581
173	Central Office	413,395	0	0	27,853	27,853
174	Operator Systems	302	0	0	0	0
175	COE Switching	238,313	0	0	0	0
176	COE Transmission	174,781	0	0	27,853	27,853
177	IOT	47	0	0	8	8
178	Cable & Wire Facilities	431,470	0	0	96,246	96,246
180	Plant Non Specific excl Depr & Amort	353,169	0	0	61,578	61,578
190	Depreciation/Amortization	1,322,388	0	0	215,575	215,575
200	Customer Operations	469,576	0	0	49,533	49,533
201	Marketing	97,909	0	0	15,745	15,745
202	Local Business Office	192,220	0	0	28,419	28,419
203	Revenue Accounting	136,473	0	0	3,394	3,394
204	Other Billing and Collections	63,747	0	0	3,226	3,226
210	Access	N/A	N/A	N/A	N/A	0
215	Universal Service Contributions* (NOTE 2)	N/A	N/A	N/A	N/A	79,034
220	Corporate Operations	883,084	0	0	149,412	149,412
230	AFUDC	19,094	0	0	3,404	3,404
240	Other Expenses and Adjustments	(566)	0	0	146	146
250	Taxes Other than FIT	149,779	0	0	33,965	33,965
260	Total Expenses and Other Taxes	4,266,778	0	0	676,624	755,658
<u>NECA ADJUSTMENTS</u>						
261	NECA Administrative Expenses	N/A	0	0	30,752	30,752
262	Average Schedule Settlements	N/A	0	0	235,477	235,477
263	Adjustment for Line Port/TIC	0	0	0	136,594	136,594
264	Total NECA Adjustments	0	0	0	402,823	402,823
<u>FIT ADJUSTMENTS</u>						
270	Adjustments for FIT	139,919	0	0	26,096	26,096
280	Amortized ITC	419	0	0	(8)	(8)
290	Federal Income Taxes	237,653	0	0	43,832	43,832
300	TOTAL EXPENSES AND TAXES	4,504,430	0	0	1,123,278	1,202,313
<u>TELEPHONE PLANT IN SERVICE</u>						
310	General Support	2,857,585	0	0	492,338	492,338
320	Central Office Equipment - Switch	2,494,746	0	0	0	0
321	Operator Systems	7,682	0	0	0	0
322	Tandem Switching	102,132	0	0	0	0
323	Local Switching Cat 3	2,380,190	0	0	0	0
324	Equal Access	4,742	0	0	0	0
330	Central Office Equipment - Trans	4,400,677	0	0	648,921	648,921
331	Subscriber Line	3,573,112	0	0	648,921	648,921
332	Exchange Circuit	827,565	0	0	0	0
333	Interexchange Circuit	2,646,692	0	0	0	0
334	Host Remote	158,326	0	0	0	0
340	Cable and Wire	12,527,967	0	0	2,785,834	2,785,834
341	Subscriber Line	11,312,699	0	0	2,785,834	2,785,834
342	Exchange	720,720	0	0	0	0
343	Interexchange Circuit	336,222	0	0	0	0
344	Host Remote	158,326	0	0	0	0
350	Info Orig/Term Equipment	4,721	0	0	1,177	1,177
360	Amortizable Assets	118,492	0	0	15,696	15,696
370	Total Plant in Service	22,404,188	0	0	3,943,966	3,943,966
<u>ADJUSTMENTS TO TPIS</u>						
380	Depreciation/Amortization Reserve	14,355,903	0	0	2,438,434	2,438,434
390	Accum. Deferred Income Tax	293,814	0	0	47,980	47,980
400	Other Rate Base Adjustments	630,035	0	0	107,873	107,873
<u>RETURN DATA</u>						
410	Average Rate Base	8,384,505	0	0	1,565,425	1,565,425
420	Return	943,257	0	0	176,110	176,110
430	Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Effective 7/1/04, Long-Term Support is folded into Interstate Common Line Support (ICLS). ICLS is recovered from the universal service support program.

NOTE 2: Universal service contributions include amounts for both Cost and Average Schedule companies.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**RATE OF RETURN**  
**HISTORICAL COST ANALYSIS SUMMARY (\$000)**

VOLUME 2  
EXHIBIT 2  
Page 4 of 8

----- SWITCHED TRAFFIC SENSITIVE -----

HISTORICAL DATA PERIOD - 2008	LOCAL SWITCHING	EQUAL ACCESS	SS7	INFORMATION	TANDEM SWITCHING	LOCAL TRANSPORT	HOST REMOTE	TOTAL SWITCH TRFFC SNSTV	SPECIAL ACCESS
	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)
<b>REVENUES</b>									
100 Network Access	209,778	0	0	3,361	13,963	77,333	17,217	321,652	525,404
110 Uncollectibles* (NOTE 1)	10	0	0	0	0	2	0	12	38
120 Local Switching Support * (NOTE 2)	239,186	N/A	N/A	N/A	N/A	N/A	N/A	239,186	N/A
130 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
135 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
140 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
150 Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
160 Net Revenues	448,953	0	0	3,361	13,963	77,331	17,217	560,826	525,366
<b>EXPENSES</b>									
170 Plant Specific	114,994	0	0	20	1,971	21,308	4,761	143,054	75,798
171 Network Support	1,403	0	0	0	49	352	97	1,901	1,792
172 General Support	14,097	0	0	0	357	3,980	1,079	19,514	17,232
173 Central Office	99,492	0	0	19	1,566	11,909	1,953	114,939	37,953
174 Operator Systems	9	0	0	19	0	0	0	28	0
175 COE Switching	99,483	0	0	0	1,566	0	0	101,049	0
176 COE Transmission	0	0	0	0	0	11,909	1,953	13,862	37,953
177 IOT	0	0	0	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	5,067	1,631	6,697	18,821
180 Plant Non Spec excl Depr & Amort	19,822	0	0	0	458	5,639	1,530	27,449	25,550
190 Depreciation/Amortization	81,027	0	0	0	2,164	23,570	6,631	113,393	110,321
200 Customer Operations	18,302	0	0	2,222	458	4,557	1,150	26,688	17,478
201 Marketing	3,879	0	0	0	105	960	256	5,200	5,279
202 Local Business Office	4,922	0	0	1	111	1,251	350	6,635	1,105
203 Revenue Accounting	8,601	0	0	0	222	2,160	497	11,480	10,369
204 Other Billing and Collections	0	0	0	0	0	0	0	0	0
210 Access	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
220 Corporate Operations	74,467	0	0	964	1,164	14,757	3,257	94,610	53,941
230 AFUDC	972	0	0	0	36	372	112	1,492	1,860
240 Other Expenses and Adjustments	205	0	0	0	7	75	44	330	508
250 Taxes Other than FIT	9,257	0	0	3	258	3,130	779	13,426	13,892
260 Total Expenses and Other Taxes	317,101	0	0	3,209	6,444	72,664	18,039	417,457	295,628
<b>NECA ADJUSTMENTS</b>									
261 NECA Administrative Expenses	7,309	0	0	0	231	1,569	508	9,617	9,502
262 Average Schedule Settlements	146,913	0	0	0	5,695	44,566	6,730	203,903	103,404
263 Adjustment for Line Port/TIC	(60,816)	0	0	151	208	(64,962)	(13,740)	(139,159)	23,442
264 Total NECA Adjustments	93,405	0	0	151	6,134	(18,826)	(6,502)	74,361	136,348
<b>FIT ADJUSTMENTS</b>									
270 Adjustments for FIT	6,710	0	0	0	203	3,504	682	11,099	13,117
280 Amortized ITC	2	0	0	0	0	(16)	(0)	-14	(25)
290 Federal Income Taxes	7,587	0	0	0	149	4,866	881	13,483	18,195
300 TOTAL EXPENSES AND TAXES	418,094	0	0	3,361	12,726	58,703	12,418	505,302	450,171
<b>TELEPHONE PLANT IN SERVICE</b>									
310 General Support	163,690	0	0	2	4,590	49,137	14,570	231,990	206,076
320 Central Office Equipment - Switch	1,064,122	0	0	6	29,961	0	0	1,094,089	0
321 Operator Systems	19	0	0	6	0	0	0	25	0
322 Tandem Switching	0	0	0	0	29,961	0	0	29,961	0
323 Local Switching Cat 3	1,060,714	0	0	0	0	0	0	1,060,714	0
324 Equal Access	3,389	0	0	0	0	0	0	3,389	0
330 Central Office Equipment - Trans	0	0	0	0	0	173,717	43,376	217,093	874,920
331 Subscriber Lines	0	0	0	0	0	0	0	0	245,734
332 Exchange Circuit	0	0	0	0	0	0	0	0	616,810
333 Interexchange Circuit	0	0	0	0	0	173,717	0	173,717	12,376
334 Host Remote	0	0	0	0	0	0	43,376	43,376	0
340 Cable and Wire	0	0	0	0	0	146,974	50,813	197,786	561,784
341 Subscriber Lines	0	0	0	0	0	0	0	0	39,432
342 Exchange	0	0	0	0	0	1,411	0	1,411	479,169
343 Interexchange Circuit	0	0	0	0	0	145,563	0	145,563	43,183
344 Host Remote	0	0	0	0	0	0	50,813	50,813	0
350 Info Orig/Term Equipment	0	0	0	0	0	0	0	0	0
360 Amortizable Assets	4,201	0	0	0	41	15,725	605	20,571	3,991
370 Total Plant in Service	1,232,012	0	0	9	34,591	385,552	109,364	1,761,528	1,646,772
<b>ADJUSTMENTS TO TPIS</b>									
380 Depreciation/Amortization Reserve	970,290	0	0	7	24,218	228,829	68,304	1,291,647	1,006,517
390 Accum. Deferred Income Tax	22,344	0	0	(0)	305	4,998	1,239	28,886	26,259
400 Other Rate Base Adjustments	34,930	0	0	2	931	13,857	2,830	52,549	54,403
<b>RETURN DATA</b>									
410 Average Rate Base	274,309	0	0	4	10,999	165,583	42,651	493,544	668,399
420 Return	30,860	0	0	0	1,237	18,628	4,798	55,524	75,195
430 Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Uncollectibles excludes Global Crossing and WorldCom bankruptcies.

NOTE 2: Local Switching Support is recovered from the universal service support program.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**RATE OF RETURN**  
**HISTORICAL COST ANALYSIS SUMMARY (\$000)**

VOLUME 2  
EXHIBIT 2  
Page 5 of 8

----- COMMON LINE -----					
HISTORICAL DATA PERIOD 2009	SUBJECT TO SEPARATIONS	PAY PHONE	INSIDE WIRE	BFP	TOTAL COMMON LINE
	(D)	(I)	(J)	(K)	(L)
<b>REVENUES</b>					
100 Network Access	N/A	N/A	N/A	N/A	544,523
110 Uncollectibles	N/A	N/A	N/A	N/A	10
120 Common Line Support	N/A	N/A	N/A	N/A	0
130 Long Term Support * (NOTE 1)	N/A	N/A	N/A	N/A	0
135 Interstate Common Line Support * (NOTE 1)	N/A	N/A	N/A	N/A	839,827
140 Transitional	N/A	N/A	N/A	N/A	0
150 Miscellaneous	N/A	N/A	N/A	N/A	0
160 Net Revenues		N/A	N/A	N/A	1,384,340
<b>EXPENSES</b>					
170 Plant Specific	1,102,280	0	0	168,222	168,222
171 Network Support	21,622	0	0	3,755	3,755
172 General Support	251,738	0	0	43,671	43,671
173 Central Office	585,392	0	0	27,804	27,804
174 Operator Systems	298	0	0	0	0
175 COE Switching	410,417	0	0	0	0
176 COE Transmission	174,676	0	0	27,804	27,804
177 IOT	96	0	0	6	6
178 Cable & Wire Facilities	418,109	0	0	92,985	92,985
180 Plant Non Specific excl Depr & Amort	354,227	0	0	62,091	62,091
190 Depreciation/Amortization	1,322,378	0	0	223,692	223,692
200 Customer Operations	461,814	0	0	47,580	47,580
201 Marketing	97,454	0	0	15,646	15,646
202 Local Business Office	192,785	0	0	26,760	26,760
203 Revenue Accounting	131,734	0	0	3,116	3,116
204 Other Billing and Collections	61,670	0	0	3,087	3,087
210 Access	N/A	N/A	N/A	N/A	0
215 Universal Service Contributions* (NOTE 2)	N/A	N/A	N/A	N/A	80,377
220 Corporate Operations	875,852	0	0	146,917	146,917
230 AFUDC	18,593	0	0	3,407	3,407
240 Other Expenses and Adjustments	(1,143)	0	0	12	12
250 Taxes Other than FIT	149,358	0	0	33,455	33,455
260 Total Expenses and Other Taxes	4,246,172	0	0	678,562	758,939
<b>NECA ADJUSTMENTS</b>					
261 NECA Administrative Expenses	N/A	0	0	29,539	29,539
262 Average Schedule Settlements	N/A	0	0	235,580	235,580
263 Adjustment for Line Port/TIC	0	0	0	129,766	129,766
264 Total NECA Adjustments	0	0	0	394,885	394,885
<b>FIT ADJUSTMENTS</b>					
270 Adjustments for FIT	153,274	0	0	28,801	28,801
280 Amortized ITC	45	0	0	(13)	(13)
290 Federal Income Taxes	241,151	0	0	44,854	44,854
300 TOTAL EXPENSES AND TAXES	4,487,323	0	0	1,118,300	1,198,677
<b>TELEPHONE PLANT IN SERVICE</b>					
310 General Support	2,918,941	0	0	504,835	504,835
320 Central Office Equipment - Switch	2,477,127	0	0	0	0
321 Operator Systems	7,420	0	0	0	0
322 Tandem Switching	85,236	0	0	0	0
323 Local Switching Cat 3	2,380,279	0	0	0	0
324 Equal Access	4,192	0	0	0	0
330 Central Office Equipment - Trans	4,773,646	0	0	696,231	696,231
331 Subscriber Line	3,825,924	0	0	696,231	696,231
332 Exchange Circuit	947,722	0	0	0	0
333 Interexchange Circuit	2,839,460	0	0	0	0
334 Host Remote	160,955	0	0	0	0
340 Cable and Wire	13,353,442	0	0	2,963,657	2,963,657
341 Subscriber Line	12,035,246	0	0	2,963,657	2,963,657
342 Exchange	773,629	0	0	0	0
343 Interexchange Circuit	383,612	0	0	0	0
344 Host Remote	160,955	0	0	0	0
350 Info Orig/Term Equipment	4,636	0	0	1,151	1,151
360 Amortizable Assets	112,004	0	0	14,626	14,626
370 Total Plant in Service	23,639,797	0	0	4,180,499	4,180,499
<b>ADJUSTMENTS TO TPIS</b>					
380 Depreciation/Amortization Reserve	15,161,282	0	0	2,574,038	2,574,038
390 Accum. Deferred Income Tax	353,718	0	0	61,154	61,154
400 Other Rate Base Adjustments	609,586	0	0	105,021	105,021
<b>RETURN DATA</b>					
410 Average Rate Base	8,734,383	0	0	1,650,329	1,650,329
420 Return	982,618	0	0	185,662	185,662
430 Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Effective 7/1/04, Long-Term Support is folded into Interstate Common Line Support (ICLS). ICLS is recovered.

NOTE 2: Universal service include amounts for both Cost and Average Schedule companies.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**RATE OF RETURN**  
**HISTORICAL COST ANALYSIS SUMMARY (\$000)**

VOLUME 2  
EXHIBIT 2  
Page 6 of 8

----- SWITCHED TRAFFIC SENSITIVE -----									
HISTORICAL DATA PERIOD 2009	LOCAL SWITCHING	EQUAL ACCESS	SS7	INFORMATION	TANDEM SWITCHING	LOCAL TRANSPORT	HOST REMOTE	TOTAL SWITCH TRFFC SNSTV	SPECIAL ACCESS
	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)
<b>REVENUES</b>									
100 Network Access	183,327	0	0	3,310	9,005	73,091	23,821	292,553	555,264
110 Uncollectibles * (NOTE 1)	12	0	0	0	0	3	0	15	44
120 Local Switching Support * (NOTE 2)	237,193	N/A	N/A	N/A	N/A	N/A	N/A	237,193	N/A
130 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
135 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
140 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
150 Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
160 Net Revenues	420,508	0	0	3,310	9,004	73,088	23,821	529,731	555,220
<b>EXPENSES</b>									
170 Plant Specific	116,224	0	0	20	782	22,356	4,710	144,092	80,258
171 Network Support	1,316	0	0	0	31	354	101	1,802	1,881
172 General Support	14,793	0	0	0	238	4,204	1,119	20,355	19,128
173 Central Office	100,114	0	0	20	514	12,798	1,913	115,358	40,098
174 Operator Systems	11	0	0	20	0	0	0	30	0
175 COE Switching	100,103	0	0	0	514	0	0	100,617	0
176 COE Transmission	0	0	0	0	0	12,798	1,913	14,711	40,098
177 IOT	0	0	0	0	0	0	0	0	1
178 Cable & Wire Facilities	0	0	0	0	0	5,000	1,576	6,576	19,151
180 Plant Non Spec excl Depr & Amort	19,740	0	0	0	314	5,850	1,467	27,371	27,322
190 Depreciation/Amortization	80,494	0	0	0	2,689	25,153	4,572	112,908	122,522
200 Customer Operations	17,811	0	0	2,185	304	4,592	1,142	26,035	18,112
201 Marketing	3,984	0	0	0	61	996	269	5,311	5,619
202 Local Business Office	4,660	0	0	1	65	1,273	340	6,338	1,152
203 Revenue Accounting	8,048	0	0	0	163	2,143	484	10,839	10,594
204 Other Billing and Collections	0	0	0	0	0	0	0	0	0
210 Access	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
220 Corporate Operations	74,448	0	0	955	579	15,408	3,090	94,481	57,862
230 AFUDC	875	0	0	0	25	363	95	1,358	1,737
240 Other Expenses and Adjustments	123	0	0	0	(0)	35	43	201	460
250 Taxes Other than FIT	9,035	0	0	2	179	3,560	781	13,556	14,856
260 Total Expenses and Other Taxes	317,000	0	0	3,163	4,823	76,591	15,708	417,286	319,656
<b>NECA ADJUSTMENTS</b>									
261 NECA Administrative Expenses	8,402	0	0	0	223	1,519	491	10,635	12,290
262 Average Schedule Settlements	116,975	0	0	0	6,640	41,703	9,765	175,083	95,902
263 Adjustment for Line Port/TIC	(57,455)	0	0	146	(3,764)	(70,371)	(7,692)	(139,135)	24,546
264 Total NECA Adjustments	67,921	0	0	146	3,100	(27,149)	2,565	46,583	132,739
<b>FIT ADJUSTMENTS</b>									
270 Adjustments for FIT	6,792	0	0	0	144	3,815	678	11,430	14,612
280 Amortized ITC	3	0	0	0	0	(11)	0	-7	(29)
290 Federal Income Taxes	6,594	0	0	0	56	4,560	802	12,013	20,377
300 TOTAL EXPENSES AND TAXES	391,515	0	0	3,310	7,979	54,002	19,075	475,882	472,771
<b>TELEPHONE PLANT IN SERVICE</b>									
310 General Support	166,417	0	0	2	3,319	52,094	14,486	236,319	226,411
320 Central Office Equipment - Switch	1,110,364	0	0	7	22,655	0	0	1,133,026	0
321 Operator Systems	19	0	0	7	0	0	0	26	0
322 Tandem Switching	0	0	0	0	22,655	0	0	22,655	0
323 Local Switching Cat 3	1,107,468	0	0	0	0	0	0	1,107,468	0
324 Equal Access	2,877	0	0	0	0	0	0	2,877	0
330 Central Office Equipment - Trans	0	0	0	0	0	190,089	45,559	235,648	993,707
331 Subscriber Lines	0	0	0	0	0	0	0	0	262,777
332 Exchange Circuit	0	0	0	0	0	0	0	0	716,802
333 Interexchange Circuit	0	0	0	0	0	190,089	0	190,089	14,128
334 Host Remote	0	0	0	0	0	0	45,559	45,559	0
340 Cable and Wire	0	0	0	0	0	156,311	51,617	207,927	623,120
341 Subscriber Lines	0	0	0	0	0	0	0	0	44,929
342 Exchange	0	0	0	0	0	1,632	0	1,632	508,540
343 Interexchange Circuit	0	0	0	0	0	154,678	0	154,678	69,651
344 Host Remote	0	0	0	0	0	0	51,617	51,617	0
350 Info Orig/Term Equipment	0	0	0	0	0	0	0	0	0
360 Amortizable Assets	4,020	0	0	0	24	14,993	488	19,526	4,955
370 Total Plant in Service	1,280,801	0	0	9	25,998	413,487	112,150	1,832,445	1,848,193
<b>ADJUSTMENTS TO TPIS</b>									
380 Depreciation/Amortization Reserve	1,032,847	0	0	7	17,387	250,251	70,983	1,371,475	1,135,732
390 Accum. Deferred Income Tax	23,191	0	0	(0)	98	5,923	1,436	30,648	32,934
400 Other Rate Base Adjustments	32,946	0	0	2	599	12,338	2,457	48,342	53,353
<b>RETURN DATA</b>									
410 Average Rate Base	257,710	0	0	3	9,112	169,651	42,189	478,665	732,880
420 Return	28,992	0	0	0	1,025	19,086	4,746	53,850	82,449
430 Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Uncollectibles excludes Global Crossing and WorldCom bankruptcies.

NOTE 2: Local Switching Support is recovered from the universal service support program.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**RATE OF RETURN**  
**PROSPECTIVE COST ANALYSIS SUMMARY (\$000)**

VOLUME 2  
EXHIBIT 2  
Page 7 of 8

----- COMMON LINE -----

TEST YEAR FORECAST 7/1/10 THRU 6/30/11	SUBJECT TO SEPARATIONS	PAY PHONE	INSIDE WIRE	BFP	TOTAL
	(D)	(I)	(J)	(K)	(L)
<b>REVENUES</b>					
100 Network Access	N/A	N/A	N/A	N/A	511,700
110 Uncollectibles	N/A	N/A	N/A	N/A	12
120 Common Line Support	N/A	N/A	N/A	N/A	0
130 Long Term Support* (NOTE 1)	N/A	N/A	N/A	N/A	0
135 Interstate Common Line Support* (NOTE 1)	N/A	N/A	N/A	N/A	912,929
140 Transitional	N/A	N/A	N/A	N/A	0
150 Miscellaneous	N/A	N/A	N/A	N/A	0
160 Net Revenues		N/A	N/A	N/A	1,424,617
<b>EXPENSES</b>					
170 Plant Specific	1,129,028	0	0	171,921	171,921
171 Network Support	22,713	0	0	3,942	3,942
172 General Support	256,058	0	0	44,760	44,760
173 Central Office	607,092	0	0	28,656	28,656
174 Operator Systems	261	0	0	0	0
175 COE Switching	424,945	0	0	0	0
176 COE Transmission	181,885	0	0	28,656	28,656
177 IOT	81	0	0	4	4
178 Cable & Wire Facilities	243,085	0	0	94,558	94,558
180 Plant Non Specific excl Depr & Amort	363,518	0	0	64,117	64,117
190 Depreciation/Amortization	1,373,806	0	0	237,520	237,520
200 Customer Operations	465,561	0	0	48,426	48,426
201 Marketing	96,565	0	0	15,796	15,796
202 Local Business Office	197,336	0	0	27,519	27,519
203 Revenue Accounting	133,228	0	0	3,127	3,127
204 Other Billing and Collections	61,960	0	0	3,100	3,100
210 Access	N/A	N/A	N/A	N/A	0
215 Universal Service Contributions* (NOTE 2)	N/A	N/A	N/A	N/A	80,061
220 Corporate Operations	902,912	0	0	151,348	151,348
230 AFUDC	17,813	0	0	3,327	3,327
240 Other Expenses and Adjustments	(956)	0	0	130	130
250 Taxes Other than FIT	151,394	0	0	33,851	33,851
260 Total Expenses and Other Taxes	4,367,450	0	0	703,986	784,047
<b>NECA ADJUSTMENTS</b>					
261 NECA Administrative Expenses	N/A	0	0	29,727	29,727
262 Average Schedule Settlements	N/A	0	0	241,979	241,979
263 Adjustment for Line Port/TIC	0	0	0	128,489	128,489
264 Total NECA Adjustments	0	0	0	400,195	400,195
<b>FIT ADJUSTMENTS</b>					
270 Adjustments for FIT	162,026	0	0	30,278	30,278
280 Amortized ITC	71	0	0	(6)	(6)
290 Federal Income Taxes	242,760	0	0	45,892	45,892
300 TOTAL EXPENSES AND TAXES	4,610,210	0	0	1,150,073	1,230,134
<b>TELEPHONE PLANT IN SERVICE</b>					
310 General Support	3,057,087	0	0	534,254	534,254
320 Central Office Equipment - Switch	2,460,236	0	0	0	0
321 Operator Systems	7,204	0	0	0	0
322 Tandem Switching	87,862	0	0	0	0
323 Local Switching Cat 3	2,365,169	0	0	0	0
324 Equal Access	4,104	0	0	0	0
330 Central Office Equipment - Trans	5,234,645	0	0	758,095	758,095
331 Subscriber Line	4,159,542	0	0	758,095	758,095
332 Exchange Circuit	1,075,102	0	0	0	0
333 Interexchange Circuit	3,095,088	0	0	0	0
334 Host Remote	161,894	0	0	0	0
340 Cable and Wire	14,646,148	0	0	3,258,379	3,258,379
341 Subscriber Line	13,239,524	0	0	3,258,379	3,258,379
342 Exchange	846,895	0	0	0	0
343 Interexchange Circuit	397,835	0	0	0	0
344 Host Remote	161,894	0	0	0	0
350 Info Orig/Term Equipment	4,585	0	0	1,144	1,144
360 Amortizable Assets	113,039	0	0	14,806	14,806
370 Total Plant in Service	25,515,739	0	0	4,566,679	4,566,679
<b>ADJUSTMENTS TO TPIS</b>					
380 Depreciation/Amortization Reserve	16,799,607	0	0	2,874,028	2,874,028
390 Accum. Deferred Income Tax	336,211	0	0	58,073	58,073
400 Other Rate Base Adjustments	540,226	0	0	94,157	94,157
<b>RETURN DATA</b>					
410 Average Rate Base	8,920,148	0	0	1,728,735	1,728,735
420 Return	1,003,517	0	0	194,483	194,483
430 Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Effective 7/1/04, Long-Term Support is folded into Interstate Common Line Support (ICLS). ICLS is recovered from the universal service support program.

NOTE 2: Universal service include amounts for both Cost and Average Schedule companies.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**RATE OF RETURN**  
**PROSPECTIVE COST ANALYSIS SUMMARY (\$000)**

VOLUME 2  
EXHIBIT 2  
Page 8 of 8

----- SWITCHED TRAFFIC SENSITIVE -----

TEST YEAR FORECAST 7/1/10 THRU 6/30/11	LOCAL SWITCHING	EQUAL ACCESS	SS7	INFORMATION	TANDEM SWITCHING	LOCAL TRANSPORT	HOST REMOTE	TOTAL SWITCH TRFFC SNSTV	SPECIAL ACCESS
	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)
<b>REVENUES</b>									
100 Network Access	180,260	0	0	3,417	8,884	70,870	20,177	283,608	596,726
110 Uncollectibles	11	0	0	0	0	3	0	15	43
120 Local Switching Support * (NOTE 1)	222,541	N/A	N/A	N/A	N/A	N/A	N/A	222,541	N/A
130 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
135 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
140 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
150 Miscellaneous	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
160 Net Revenues	402,789	0	0	3,417	8,884	70,867	20,177	506,134	596,684
<b>EXPENSES</b>									
170 Plant Specific	117,846	0	0	10	777	22,244	4,527	145,404	86,524
171 Network Support	1,264	0	0	0	31	373	103	1,771	2,108
172 General Support	14,054	0	0	0	222	4,239	1,060	19,576	20,808
173 Central Office	102,528	0	0	10	523	12,871	1,883	117,816	43,437
174 Operator Systems	10	0	0	10	0	0	0	21	0
175 COE Switching	102,518	0	0	0	523	0	0	103,041	0
176 COE Transmission	0	0	0	0	0	12,871	1,883	14,754	43,437
177 IOT	0	0	0	0	0	0	0	0	0
178 Cable & Wire Facilities	0	0	0	0	0	4,760	1,480	6,240	20,171
180 Plant Non Spec excl Depr & Amort	18,617	0	0	0	293	5,947	1,418	26,275	29,729
190 Depreciation/Amortization	71,376	0	0	0	1,610	25,510	5,125	103,620	136,992
200 Customer Operations	17,107	0	0	2,274	298	4,729	1,142	25,550	19,956
201 Marketing	3,775	0	0	0	63	1,007	267	5,113	6,043
202 Local Business Office	4,615	0	0	1	68	1,326	339	6,349	1,267
203 Revenue Accounting	7,852	0	0	0	153	2,213	488	10,705	11,803
204 Other Billing and Collections	0	0	0	0	0	0	0	0	0
210 Access	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
220 Corporate Operations	74,487	0	0	984	578	15,263	3,008	94,319	63,039
230 AFUDC	747	0	0	0	24	335	92	1,199	1,587
240 Other Expenses and Adjustments	62	0	0	0	(0)	24	37	123	444
250 Taxes Other than FIT	8,278	0	0	2	166	3,485	755	12,686	15,791
260 Total Expenses and Other Taxes	307,025	0	0	3,270	3,697	76,867	15,920	406,778	350,889
<b>NECA ADJUSTMENTS</b>									
261 NECA Administrative Expenses	8,840	0	0	0	235	1,598	517	11,190	13,171
262 Average Schedule Settlements	\$112,141	0	0	0	6,672	38,964	9,238	167,015	103,607
263 Adjustment for Line Port/TIC	(54,540)	0	0	148	(2,667)	(68,586)	(10,553)	(136,198)	23,140
264 Total NECA Adjustments	66,442	0	0	148	4,240	(28,024)	(798)	42,007	139,917
<b>FIT ADJUSTMENTS</b>									
270 Adjustments for FIT	6,577	0	0	0	138	3,810	680	11,206	15,907
280 Amortized ITC	3	0	0	0	0	(10)	0	-7	(30)
290 Federal Income Taxes	5,421	0	0	0	47	4,142	727	10,337	21,719
300 TOTAL EXPENSES AND TAXES	378,888	0	0	3,418	7,984	52,984	15,849	459,121	512,525
<b>TELEPHONE PLANT IN SERVICE</b>									
310 General Support	160,332	0	0	2	3,161	52,676	14,188	230,359	247,064
320 Central Office Equipment - Switch	1,101,490	0	0	7	22,511	0	0	1,124,008	0
321 Operator Systems	19	0	0	7	0	0	0	26	0
322 Tandem Switching	0	0	0	0	22,511	0	0	22,511	0
323 Local Switching Cat 3	1,098,720	0	0	0	0	0	0	1,098,720	0
324 Equal Access	2,751	0	0	0	0	0	0	2,751	0
330 Central Office Equipment - Trans	0	0	0	0	0	203,677	47,252	250,929	1,136,063
331 Subscriber Lines	0	0	0	0	0	0	0	0	291,996
332 Exchange Circuit	0	0	0	0	0	0	0	0	826,949
333 Interexchange Circuit	0	0	0	0	0	203,677	0	203,677	17,118
334 Host Remote	0	0	0	0	0	0	47,252	47,252	0
340 Cable and Wire	0	0	0	0	0	158,971	51,309	210,280	694,934
341 Subscriber Lines	0	0	0	0	0	0	0	0	53,703
342 Exchange	0	0	0	0	0	1,962	0	1,962	567,413
343 Interexchange Circuit	0	0	0	0	0	157,009	0	157,009	73,818
344 Host Remote	0	0	0	0	0	0	51,309	51,309	0
350 Info Orig/Term Equipment	0	0	0	0	0	0	0	0	0
360 Amortizable Assets	3,851	0	0	0	27	15,087	422	19,387	5,494
370 Total Plant in Service	1,265,673	0	0	9	25,698	430,411	113,171	1,834,963	2,083,556
<b>ADJUSTMENTS TO TPIS</b>									
380 Depreciation/Amortization Reserve	1,058,375	0	0	0	18,055	275,513	75,046	1,426,990	1,347,467
390 Accum. Deferred Income Tax	21,327	0	0	(0)	78	5,791	1,349	28,545	34,796
400 Other Rate Base Adjustments	26,484	0	0	1	441	9,847	1,697	38,471	46,786
<b>RETURN DATA</b>									
410 Average Rate Base	212,455	0	0	10	8,006	158,955	38,472	417,899	748,079
420 Return	23,901	0	0	1	901	17,882	4,328	47,014	84,159
430 Rate of Return	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

NOTE 1: Local Switching Support is recovered from the universal service support program.



NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.  
PART 69 LEVEL OF DETAIL

COMPANY NAME: \_\_\_\_\_  
STUDY AREA CODE: \_\_\_\_\_ (Enter as a Label)  
TAX STATUS: \_\_\_\_\_ (Y) Taxable or (N) Exempt  
BASE YEAR: 2009  
FORECAST PERIOD: \_\_\_\_\_

ITEM	FORECASTED TOTAL COMPANY	TOTAL INTERSTATE	COMMON LINE	SWITCHED ACCESS			SWITCHED ACCESS	SPECIAL ACCESS	B&C+IX OTHER
				TRANSPORT	LOCAL SWITCHING	INFORMATION			
UNCOLLECTIBLES	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
AFUDC	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
PLANT SPECIFIC	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
PLNT NON SPEC x/D&A	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
CUST. OPER-MARKETING	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
CUST. OPER-SERVICES	_____ \$		_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
CORP. OPERATIONS	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
ACCESS	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
DEPRECIATION & AMORT	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
FCC EXP ADJUSTMENT	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
EQUAL ACCESS EXPENSE	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
TOT EXP LESS TAXES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTHER INCOME & EXP.	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
SIT EC AMT - IS AMT	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
GRT EC AMT - IS AMT	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
OTH. ST AND LOC TAXES	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
TOTAL OTHER TAXES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.  
PART 69 LEVEL OF DETAIL

COMPANY NAME: \_\_\_\_\_  
STUDY AREA CODE: \_\_\_\_\_ (Enter as a Label)  
TAX STATUS: \_\_\_\_\_ (Y) Taxable or (N) Exempt  
BASE YEAR: 2009  
FORECAST PERIOD: \_\_\_\_\_

ITEM	FORECASTED	TOTAL INTERSTATE	COMMON LINE	SWITCHED ACCESS			SWITCHED ACCESS	SPECIAL ACCESS	B&C+IX OTHER
	TOTAL COMPANY			TRANSPORT	LOCAL SWITCHING	INFORMATION			
FIXED CHARGES	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
PATRONAGE DIVIDENDS	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
OTHER ADJ.	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
ITC AMORTIZATION	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
EXCESS DEFERRED TAXES	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
SUPPORT PLANT	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
OPER. SYSTEM EQUIP	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
COE-SW CAT-2 Tandem	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
COE-SW CAT-3 Local SW	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
COE-TRANS Cat 4.1	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
COE-TRANS Cat 4.2	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
COE-TRANS Cat 4.3	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
C & W FACIL Cat-1	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
C & W FACIL Cat-2	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
C & W FACIL Cat-3	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
C & W FACIL Cat-4	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
IOT EQUIPMENT	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
AMORTIZABLE ASSETS	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
EQUAL ACCESS INVEST	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
TOTAL PLANT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROP HELD-FUTURE USE	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
PLANT UNDER CONST.	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
PLANT ACQ. ADJ	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
INVEST IN NON-AFF-COS	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
INVENTORIES	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
CASH WORKING CAPITAL	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
FCC INVESTMENT ADJ.	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
TOT OTH INVESTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTH JURIS ASSETS-NET	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
ACCUMULATED DEPR.	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
ACCUMULATED AMORT.	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
DEFERRED FIT	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
CUSTOMER DEPOSITS	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
OTHER ACCRUED LIAB.	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
ALL OTHER RESERVES	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
FCC RESERVE ADJ.	_____ \$	\$0	_____ \$	_____ \$	_____ \$	_____ \$	\$0	_____ \$	_____ \$
TOTAL RESERVES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**REVENUE REQUIREMENT COMPARISON**

(Data in \$000)

NECA's COMMON LINE POOL

	<u>PYCOS</u> <u>1/09-12/09</u>	<u>TEST PERIOD</u> <u>7/1/10-6/30/11</u>	<u>ANNUAL</u> <u>PCT CHG</u>
<u>COST COMPANIES:</u>			
EXPENSES AND TAXES *	\$723,426	\$749,889	2.42%
AVERAGE NET INVESTMENT	\$1,650,329	\$1,728,735	3.14%
NET RETURN @ 11.25%	\$185,662	\$194,483	3.14%
ADJUSTMENT FOR LINE PORT/TIC	\$88,025	\$87,071	-0.72%
REVENUE REQUIREMENT***	\$997,113	\$1,031,443	2.28%
<u>AVERAGE SCHEDULE COMPANIES:</u>			
AVG SCHEDULE SETTLEMENTS***	\$235,580	\$241,979	1.80%
ADJUSTMENT FOR LINE PORT/TIC	\$41,741	\$41,418	-0.52%
NECA EXPENSES	\$29,539	\$29,727	0.42%
UNIVERSAL SERVICE CONTRIBUTIONS	\$80,377	\$80,061	-0.26%
<u>TOTAL NECA POOL:</u>			
EXPENSES AND TAXES ** #	\$1,068,922	\$1,101,656	2.03%
AVERAGE NET INVESTMENT	\$1,650,329	\$1,728,735	3.14%
NET RETURN @ 11.25%	\$185,662	\$194,483	3.14%
ADJUSTMENT FOR LINE PORT/TIC	\$129,766	\$128,489	-0.66%
REVENUE REQUIREMENT#	\$1,384,350	\$1,424,628	1.93%

\* INCLUDES UNCOLLECTIBLES

\*\* INCLUDES UNCOLLECTIBLES, AVG. SCHED. SETTLEMENTS AND NECA EXPENSES

\*\*\*DOES NOT INCLUDE UNIVERSAL SERVICE CONTRIBUTIONS

# INCLUDES UNIVERSAL SERVICE CONTRIBUTIONS

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

REVENUE REQUIREMENT COMPARISON

(Data in \$000)

NECA's TRAFFIC SENSITIVE POOL

	----- SWITCHED ACCESS -----		
	PYCOS <u>1/09-12/09</u>	TEST PERIOD <u>7/1/10-6/30/11</u>	ANNUAL PCT CHG
<u>COST COMPANIES:</u>			
EXPENSES AND TAXES *	\$429,313	\$417,128	-1.90%
AVERAGE NET INVESTMENT	\$478,665	\$417,899	-8.65%
NET RETURN @ 11.25%	\$53,850	\$47,014	-8.65%
ADJUSTMENT FOR LINE PORT/TIC	(\$93,436)	(\$91,994)	-1.03%
REVENUE REQUIREMENT	\$389,727	\$372,147	-3.03%
<u>AVERAGE SCHEDULE COMPANIES:</u>			
AVG SCHEDULE SETTLEMENTS	\$175,083	\$167,015	-3.10%
ADJUSTMENT FOR LINE PORT/TIC	(\$45,699)	(\$44,204)	-2.19%
NECA EXPENSES	\$10,635	\$11,190	3.45%
<u>TOTAL NECA POOL:</u>			
EXPENSES AND TAXES **	\$615,031	\$595,333	-2.15%
AVERAGE NET INVESTMENT	\$478,665	\$417,899	-8.65%
NET RETURN @ 11.25%	\$53,850	\$47,014	-8.65%
ADJUSTMENT FOR LINE PORT/TIC	(\$139,135)	(\$136,198)	-1.41%
REVENUE REQUIREMENT	\$529,746	\$506,149	-2.99%

	----- SPECIAL ACCESS -----		
	PYCOS <u>1/09-12/09</u>	TEST PERIOD <u>7/1/10-6/30/11</u>	ANNUAL PCT CHG
<u>COST COMPANIES:</u>			
EXPENSES AND TAXES *	\$340,076	\$371,650	6.10%
AVERAGE NET INVESTMENT	\$732,880	\$748,079	1.38%
NET RETURN @ 11.25%	\$82,449	\$84,159	1.38%
ADJUSTMENT FOR LINE PORT/TIC	\$16,833	\$16,343	-1.95%
REVENUE REQUIREMENT	\$439,358	\$472,152	4.92%
<u>AVERAGE SCHEDULE COMPANIES:</u>			
AVG SCHEDULE SETTLEMENTS	\$95,902	\$103,607	5.29%
ADJUSTMENT FOR LINE PORT/TIC	\$7,713	\$6,797	-8.09%
NECA EXPENSES	\$12,290	\$13,171	4.72%
<u>TOTAL NECA POOL:</u>			
EXPENSES AND TAXES **	\$448,268	\$488,427	5.89%
AVERAGE NET INVESTMENT	\$732,880	\$748,079	1.38%
NET RETURN @ 11.25%	\$82,449	\$84,159	1.38%
ADJUSTMENT FOR LINE PORT/TIC	\$24,546	\$23,140	-3.86%
REVENUE REQUIREMENT	\$555,264	\$595,726	4.80%

\* INCLUDES UNCOLLECTIBLES

\*\* INCLUDES UNCOLLECTIBLES, AVG. SCHED. SETTLEMENTS AND NECA EXPENSES

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**COST COMPANY REVENUE REQUIREMENTS TREND FORECASTS**  
**(\$ MILLIONS)**

Volume 2  
Exhibit 5

<u>Element</u>	Consistent Sample									Non-Consistent Sample			Total			2010/2011	
	Actual			Projection						Projection						Test Pd	TP/PYCOS
<u>Local Switching</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>		
Company Supplied	\$328.264	\$323.930	\$317.745	\$311.220	\$303.418	\$287.074	\$277.267	\$266.621	\$258.378	\$31.186	\$28.751	\$27.476	\$308.453	\$295.372	\$285.853	\$290.612	-3.89%
Trend	\$328.264	\$323.930	\$317.745	\$311.220	\$303.418	\$287.074	\$279.245	\$270.849	\$262.216	\$31.393	\$30.449	\$29.479	\$310.638	\$301.298	\$291.695	\$296.496	-3.06%
Adjustment													-\$0.155	-\$1.203	-\$1.128	-\$1.165	
Revised Forecast													\$310.483	\$300.096	\$290.567	\$295.331	-3.28%
Difference (Company Supplied - Revised Forecast):													\$2.030	\$4.724	\$4.713	\$4.719	

<u>Element</u>	Consistent Sample									Non-Consistent Sample			Total			2010/2011	
	Actual			Projection						Projection						Test Pd	TP/PYCOS
<u>Local Transport</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>		
Company Supplied	\$71.790	\$70.098	\$69.621	\$67.016	\$62.524	\$64.112	\$63.888	\$62.199	\$60.699	\$10.883	\$10.740	\$10.602	\$74.772	\$72.939	\$71.301	\$72.120	-2.38%
Trend	\$71.790	\$70.098	\$69.621	\$67.016	\$62.524	\$64.112	\$62.292	\$60.593	\$58.945	\$10.717	\$10.425	\$10.142	\$73.009	\$71.018	\$69.087	\$70.052	-2.72%
Adjustment													\$2.632	\$3.132	\$3.439	\$3.286	
Revised Forecast													\$75.642	\$74.151	\$72.525	\$73.338	-2.04%
Difference (Company Supplied - Revised Forecast):													\$0.870	\$1.212	\$1.224	\$1.218	

<u>Element</u>	Consistent Sample									Non-Consistent Sample			Total			2010/2011	
	Actual			Projection						Projection						Test Pd	TP/PYCOS
<u>Special Access</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>		
Company Supplied	\$186.962	\$231.083	\$263.857	\$315.522	\$352.744	\$377.473	\$381.458	\$378.720	\$391.262	\$35.144	\$35.143	\$35.284	\$416.602	\$413.862	\$426.545	\$420.204	0.58%
Trend	\$186.962	\$231.083	\$263.857	\$315.522	\$352.744	\$377.473	\$416.593	\$454.827	\$492.693	\$36.906	\$40.293	\$43.648	\$453.499	\$495.120	\$536.341	\$515.730	8.95%
Adjustment													-\$14.141	-\$38.893	-\$48.264	-\$43.578	
Revised Forecasts													\$439.358	\$456.227	\$488.076	\$472.152	4.92%
Difference (Company Supplied - Revised Forecast):													\$22.756	\$42.365	\$61.531	\$51.948	

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**HISTORICAL COST TREND AND PROJECTION ANALYSIS**  
**2010/2011 COST COMPANY TARIFF PARTICIPANTS**  
**(\$ MILLIONS)**

**TOTAL COMPANY SUBJECT TO SEPARATIONS**

<u>Year</u>	<u>Base</u> (A)	<u>%</u>	<u>Conversions</u> (B)	<u>TOTAL</u> (C) = (A - B)	<u>%</u>
2005	\$4,837.9	-----	\$11.8	\$4,826.1	-----
2006	\$5,033.2	4.0%	\$68.9	\$4,964.3	2.9%
2007	\$5,182.0	3.0%	\$120.9	\$5,061.1	2.0%
2008	\$5,319.6	2.7%	\$199.2	\$5,120.5	1.2%
2009	\$5,469.9	2.8%	\$326.0	\$5,143.9	0.5%
2010	\$5,561.8	1.7%	\$336.9	\$5,225.2	1.6%
2011	\$5,665.6	1.9%	\$350.3	\$5,315.1	1.7%
2010/2011	\$5,613.7	1.7%	\$343.6	\$5,270.2	1.6%

Historical 4 Year Base Average (2005 to 2008) = 3.1%

Historical 4 Year Average (2005 to 2008) Adjusted for  
Conversions = 1.6%

Test Period RRQ growth over PYCOS, Adjusted for  
Conversions = 1.6%

Notes:

Conversions - Companies converting from average schedule to cost between 2005 through 2010 are removed.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**HISTORICAL COST TREND AND PROJECTION ANALYSIS**  
**2010/2011 COST COMPANY TARIFF PARTICIPANTS**  
**(\$ MILLIONS)**

**COMMON LINE**

<u>Year</u>	<u>Base*</u> (A)	<u>%</u>	<u>Conversions</u> (B)	<u>TOTAL</u> (C) = (A - B)	<u>%</u>
2005	\$862.0	-----	\$2.2	\$859.8	-----
2006	\$897.3	4.1%	\$14.2	\$883.1	2.7%
2007	\$929.1	3.5%	\$23.6	\$905.4	2.5%
2008	\$961.8	3.5%	\$38.2	\$923.6	2.0%
2009	\$997.1	3.7%	\$62.9	\$934.2	1.2%
2010	\$1,018.6	2.2%	\$65.8	\$952.9	2.0%
2011	\$1,044.2	2.5%	\$69.1	\$975.2	2.3%
2010/2011	\$1,031.4	2.3%	\$67.4	\$964.0	2.1%

Historical 4 Year Base Average (2005 to 2008) = 3.7%

Historical 4 Year Average (2005 to 2008) Adjusted for  
Conversions = 2.1%

Test Period RRQ growth over PYCOS, Adjusted for  
Conversions = 2.1%

Notes:

\*Excludes Universal Service Contributions

Conversions - Companies converting from average schedule to cost between 2005 through 2010 are removed.



**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**HISTORICAL COST TREND AND PROJECTION ANALYSIS**  
**2010/2011 COST COMPANY TARIFF PARTICIPANTS**  
**(\$ MILLIONS)**

**T/S SWITCHED ACCESS**

<u>Year</u>	<u>Base</u> (A)	<u>%</u>	<u>Conversions</u> (B)	<u>TOTAL</u> (C) = (A - B)	<u>%</u>
2005	\$404.6	-----	\$1.3	\$403.3	-----
2006	\$401.0	-0.9%	\$3.3	\$397.7	-1.4%
2007	\$393.2	-1.9%	\$7.3	\$385.9	-3.0%
2008	\$387.0	-1.6%	\$12.8	\$374.2	-3.0%
2009	\$389.7	0.7%	\$21.9	\$367.8	-1.7%
2010	\$377.7	-3.1%	\$20.6	\$357.1	-2.9%
2011	\$366.6	-2.9%	\$19.4	\$347.2	-2.8%
2010/2011	\$372.1	-3.0%	\$20.0	\$352.1	-2.9%

Historical 4 Year Base Average (2005 to 2008) = -0.9%

Historical 4 Year Average (2005 to 2008) Adjusted for  
Conversions = -2.3%

Test Period RRQ growth over PYCOS, Adjusted for  
Conversions = -2.9%

Notes:

Conversions - Companies converting from average schedule to cost between 2005 through 2010 are removed.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**HISTORICAL COST TREND AND PROJECTION ANALYSIS**  
**2010/2011 COST COMPANY TARIFF PARTICIPANTS**  
**(\$ MILLIONS)**

**T/S SPECIAL ACCESS**

<u>Year</u>	<u>Base</u> (A)	<u>%</u>	<u>Conversions</u> (B)	<u>TOTAL</u> (C) = (A - B)	<u>%</u>
2005	\$269.0	-----	\$0.9	\$268.1	-----
2006	\$325.0	20.8%	\$2.0	\$323.0	20.5%
2007	\$367.8	13.2%	\$6.7	\$361.2	11.8%
2008	\$401.7	9.2%	\$14.2	\$387.5	7.3%
2009	\$439.4	9.4%	\$19.0	\$420.4	8.5%
2010	\$456.2	3.8%	\$19.2	\$437.1	4.0%
2011	\$488.1	7.0%	\$19.2	\$468.9	7.3%
2010/2011	\$472.2	4.9%	\$19.2	\$453.0	5.1%

Historical 4 Year Base Average (2005 to 2008) = 13.1%

Historical 4 Year Average (2005 to 2008) Adjusted for  
Conversions = 11.9%

Test Period RRQ growth over PYCOS, Adjusted for  
Conversions = 5.1%

Notes:

Conversions - Companies converting from average schedule to cost between 2005 through 2010 are removed.

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.  
2010 ANNUAL ACCESS FILING  
AVERAGE SCHEDULE SETTLEMENT ATTRIBUTION ANALYSIS  
(\$000,000)

VOLUME 2  
EXHIBIT 7

SETTLEMENT ELEMENT	COMPARISON SETTLEMENT NOTE 1 (A)	FILING UPDATE NOTE 2 (B)	COST CONVERSIONS NOTE 3 (C)	ADJUSTED SETTLEMENT A+B-C (D)	SEASONALLY ADJUSTED NOTE 4 (E)	ANNUALIZED SETTLEMENTS 12 x E (F)	ANNUAL GROWTH RATIO NOTE 5 (G)	18 MONTH GROWTH RATIO (G-1) *1.5+1 (H)	TS POOL EXITS & ENTRIES NOTE 6 (I)	TEST PERIOD REV REQ w/o M + A F x H + I (J)	NEW STUDY AREA & ACQUISITIONS (K)	TEST PERIOD REV. REQ. (L)
COMMON LINE	26.452	0.440	1.040	25.852	25.782	309.386	0.9440	0.9160	0.000	283.398	0.000	283.398
USF CONTRIBUTION	2.004	0.380	0.079	2.305	2.320	27.844	0.9440	0.9160	0.000	25.505	0.000	25.505
TOTAL CL	28.456	0.820	1.119	28.157	28.102	337.230			0.000	308.903	0.000	308.903
CENTRAL OFFICE	9.064	0.739	0.401	9.402	9.420	113.040	0.8930	0.8395	-0.298	94.600	0.000	94.600
DISTANCE SENSITIVE	0.957	-0.016	0.065	0.876	0.873	10.472			-0.007	10.243	0.000	10.243
- DS MILEAGE DRIVEN	0.908	-0.023	0.062	0.823	0.820	9.839	0.9918	0.9878	-0.006	9.713	0.000	9.713
- DS MINUTES DRIVEN	0.050	0.006	0.003	0.053	0.053	0.632	0.8930	0.8395	0.000	0.531	0.000	0.531
NON DISTANCE SENSITIVE	0.856	-0.056	0.049	0.751	0.749	8.988	0.9787	0.9680	-0.022	8.678	0.000	8.678
INTERTOLL	0.140	-0.012	0.013	0.115	0.114	1.373	0.9750	0.9625	0.000	1.322	0.000	1.322
SS7	0.728	0.002	0.064	0.666	0.665	7.983			-0.017	7.966	0.000	7.966
EQUAL ACCESS	0.000	0.000	0.000	0.000	0.000	0.002			0.000	0.002	0.000	0.002
NXX TRANSLATION	0.000	0.000	0.000	0.000	0.000	0.000			0.000	0.000	0.000	0.000
TS SWITCHED	11.745	0.657	0.592	11.810	11.821	141.858			-0.344	122.811	0.000	122.811
SPECIAL ACCESS	9.163	-0.197	0.456	8.510	8.330	99.961	1.0730	1.1095	-0.504	110.403	0.000	110.403
TOTAL TS	20.908	0.460	1.048	20.320	20.151	241.819			-0.848	233.214	0.000	233.214
TOTAL	49.364	1.280	2.167	48.477	48.253	579.049			-0.848	542.117	0.000	542.117

(1) FROM NECA'S DECEMBER 2009 AVERAGE SCHEDULE ANNUAL FILING EXHIBIT 7.17

IT REFLECTS SEPTEMBER 2009 VIEW OF JULY 2009 DEMAND DATA WITH SETTLEMENTS REFLECTING THE REASSIGNMENT OF MAG SHIFTS

(2) EFFECTS OF TRUE-UPS SINCE DECEMBER 2009 FILING OF AVERAGE SCHEDULE FORMULA

(3) BASED ON DATA OF COMPANIES THAT CONVERTED TO INDIVIDUAL COST SETTLEMENTS.

(4) COMPARES JUNE 2009 DEMAND TO THE AVERAGE MONTH OF 2009.

(5) DERIVED FROM NECA'S 2010 STUDY OF AVERAGE SCHEDULES AND FROM STUDIES SUPPORTING THIS FILING.

(6) REFLECTS DATA OF STUDY AREAS THAT LEFT OR JOINED THE TS POOL AFTER JULY 2010.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC**  
CATEGORY I. ADMINISTRATIVE COSTS  
2010/2011 TEST PERIOD  
(IN MILLIONS)

<u>CATEGORY</u>	<u>PROJECTED REVENUES</u>	<u>PCT. OF TOTAL</u>	<u>AMOUNT</u>
Universal Service Fund and Lifeline Assistance - I.A.	\$0.0	0.0%	\$0.0
End User Common Line, Carrier Common Line, Special Access Surcharge, Long Term Support and Interstate Common Line Support - I.B.	\$1,314.8	55.0%	\$29.7
Other Association Access Charges - I.C. **	\$1,077.5	45.0%	\$24.4
	=====	=====	=====
	\$2,392.4	100.0%	\$54.1

\*\* Category I.C. is split into Traffic Sensitive Switched Access and Traffic Sensitive Special Access based on projected access element revenues.

JUNE 16, 2010 NECA ACCESS CHARGE FILING  
TEST PERIOD: JULY 1, 2010 - JUNE 30, 2011  
UNIVERSAL SERVICE SUPPORT MECHANISM (USSM) CONTRIBUTION  
QUARTERLY INTERSTATE RETAIL REVENUE OF USSM CONTRIBUTORS  
( \$ Million )

VOLUME 2  
EXHIBIT 9

<u>LINE NO</u>	<u>DATE</u>	<u>PROJECTED USSM END USER RETAIL REVENUE <sup>1</sup> (A)</u>	<u>PROJECTED USSM SPECIAL ACCESS RETAIL REVENUE (B)</u>	<u>SOURCE / SUMMARY for Column (B)</u>	<u>PROJECTED INTERSTATE RETAIL REVENUE (IRR) (C = A + B )</u>
1	1Q 2010		\$43.2	Footnote 2	
2	3Q 2010	\$104.5	\$43.4	LINE 1 COL B * (1 - 0.0418) * 1.024 * 1.024 (Footnote 3)	\$148.0
3	4Q 2010	\$102.8	\$44.5	LINE 2 COL B * 1.024	\$147.2
4	1Q 2011	\$101.3	\$45.5	LINE 3 COL B * 1.024	\$146.8
5	2Q 2011	\$100.1	\$46.6	LINE 4 COL B * 1.024	\$146.8
6	TP 2010/2011	\$408.6	\$180.1	LINE 2 + LINE 3 + LINE 4 + LINE 5	\$588.7
7	3Q 2010 CONTRIBUTION FACTOR			FCC PUBLIC NOTICE DA10-1055	13.6%
8	TOTAL TEST PERIOD USSM CONTRIBUTION			LINE 6 * LINE 7	\$80.1

NOTE

- 1 End user retail revenue is the sum of SLC revenue (excluding life lines revenue), ISDN port revenue, DS1 channel service port revenue and Special Access Surcharges. NECA priced these revenues at proposed rates for 3Q 2010 through 2Q 2011.
- 2 Special access retail revenue for 1Q 2010 was estimated using an average revenue at the current rates based on three quarters of settlement data (3Q 2009 through 1Q 2010). DSL revenues from companies who will leave NECA's DSL tariff for the test period TP 2010/2011 were excluded from the calculation. Quarterly special access retail revenue (3Q 2009 - 1Q 2010) was derived from NECA Settlement data by the formula below:  
  
( FUSC Revenue - Retail End User Revenue \* Contributor Factor ) / Contribution Factor.
- 3 The overall average rate change (-4.18%) for special access retail services for TP1011 was applied to Line 1 Column B to project the test period special access retail revenue at the proposed rates for 3Q 2010. Quarterly special access retail revenue growth rate is 2.4%.

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**COMPANIES PROVIDING NON-REGULATED BILLING AND  
COLLECTION SERVICES TO IXCS**

<u>STUDY AREA NAME</u>	<u>STUDY AREA CODE</u>
ACE TEL ASSN-IA	351346
ACE TEL ASSN-MN	361346
ALL WEST COMM-UT	502288
AMELIA TEL CORP	190217
AMERICAN SAMOA	673900
ARDMORE TEL CO	290280
ARIZONA TELEPHONE CO	452171
ARKWEST COMM., INC.	401734
ARVIG TEL CO	361350
ASOTIN TEL - OR	532404
ASOTIN TEL - WA	522404
ATLANTIC MEMBERSHIP	230468
BADGER TELECOM, INC.	330844
BARNARDSVILLE TEL CO	230469
BEAR LAKE COMM	503032
BEEHIVE TEL CO - UT	502284
BIG BEND TEL CO INC	442039
BLOOMINGDALE TEL CO	310679
BLUE RIDGE TEL CO	220346
BLUE VALLEY TELE-COM	411746
BRANTLEY TEL CO	220347
BRIDGEWATER TEL CO	361362
BUTLER TEL CO	250284
CALAVERAS TEL CO	542301
CALHOUN CITY TEL CO	280448
CAL-ORE TELEPHONE CO	542311
CAMDEN TEL & TEL CO	220351
CAMPTI-PLEASANT HILL	270426
CAP ROCK TEL COOP	442046
CASCADE UTIL INC	532371
CENTRAL ARKANSAS TEL	401697
CENTRAL OKLAHOMA TEL	431977
CENTRAL STATE TEL CO	330859
CENTRAL TEXAS CO-OP	442052
CENTRAL UTAH TEL INC	502277
CHATHAM TEL CO - MI	310685
CHEROKEE TEL CO	431979
CHIBARDUN TEL COOP	330861
CHICKASAW TEL CO	431980
CHURCHILL-CC COMM.	552349
CIMARRON TEL CO	431982
CITIZENS MUTUAL TEL	351129
CITIZENS TEL CO - GA	220355

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**COMPANIES PROVIDING NON-REGULATED BILLING AND  
COLLECTION SERVICES TO IXCS**

<u>STUDY AREA NAME</u>	<u>STUDY AREA CODE</u>
CITIZENS TEL CO - MO	421865
CITIZENS TEL COOP-WI	330863
CLAY DBA ENDEAVOR	320753
CLEVELAND COUNTY TEL	401698
COMM CORP OF INDIANA	320776
COMM CORP OF MI	310672
COMSOUTH TELECOMM	220369
CONCORD TEL EXCHANGE	290559
CONNEAUT TEL CO	300606
CONTINENTAL OF OHIO	300607
CRAW-KAN TEL COOP	411818
CROSS TEL CO	431985
CROWN POINT TEL CORP	150085
DECATUR TEL CO INC	401699
DEKALB TEL COOP	290562
DELL TEL CO-OP - NM	492066
DELL TEL. CO-OP - TX	442066
DELTA COUNTY TEL CO	462184
DEPOSIT TEL CO	150089
DIRECT COMM-ROCKLAND	472232
DIRECTCOMM-CEDAR VAL	500758
DUNKIRK & FREDONIA	150091
DUO COUNTY TEL COOP	260401
EDWARDS TEL CO	150092
EGYPTIAN COOP ASSN	341003
ELLIJAY TEL CO	220360
EMPIRE TEL CORP	150093
EMRY dba EMRY TELCOM	502278
ETEX TEL COOP INC	442070
FARMERS MUTUAL TEL	472221
FARMERS TELECOM COOP	250290
FIDELITY TEL CO	421882
FOOTHILLS RURAL COOP	260406
GARDEN VALLEY TEL CO	361395
GERMANTOWN TEL CO	150097
GOLDEN BELT TEL ASSN	411777
GOLDEN WEST TELECOM	391659
GORHAM TEL CO	411778
GRANBY TEL & TEL -MA	110036
GRAND RIVER MUT-MO	421888
GUADALUPE VALLEY TEL	442083
HAMPDEN TEL CO	100010
HANCOCK TEL CO	150099
HAPPY VALLEY TEL CO	542321
HARTLAND & ST ALBANS	100011
HAVILAND TEL CO	411780

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**COMPANIES PROVIDING NON-REGULATED BILLING AND  
COLLECTION SERVICES TO IXCS**

<u>STUDY AREA NAME</u>	<u>STUDY AREA CODE</u>
HELIX TEL CO.	532376
HENDERSON CO-OP TEL	371559
HILL COUNTRY CO-OP	442086
HINTON TEL CO	431995
HOME TEL CO	240527
HOME TELEPHONE CO	532377
HOPPER TELECOMM. CO.	250300
HORNITOS TEL CO	542322
HORRY TEL COOP	240528
HUMPHREY'S COUNTY	290566
INDUSTRY TEL CO	442093
INLAND TEL CO -WA	522423
INLAND TEL-ID	472423
ISLAND TEL CO	100007
ISLAND TEL CO	310677
KALAMA TEL CO	522426
KAPLAN TEL CO	270432
KEARSARGE TEL CO	120045
KERMAN TEL-SEBASTIAN	542324
KINGDOM TELEPHONE CO	421901
KNOLOGY TOTAL COMM	250295
LACKAWAXEN TELECOM	170177
LEACO RURAL TEL COOP	492264
LESLIE COUNTY TEL CO	260411
LEWIS RIVER TEL CO	522427
LINCOLN CTY TEL SYS	552351
LINCOLNVILLE NETWORKS	100003
LITTLE MIAMI COMM.	300613
LUDLOW TEL CO	140058
MADISON COUNTY TEL	401709
MAHANOEY & MAHANTANGO	170183
MARK TWAIN RURAL TEL	421914
MATANUSKA TEL ASSOC	613015
MCCLELLANVILLE TEL	240533
MCDONOUGH TEL COOP	341047
MCTA, INC.	123321
MEDICINE PARK TEL CO	432008
MERCHANTS & FARMERS	320788
MERRIMACK COUNTY TEL	120047
MID MAINE TELECOM	103315
MID STATE TEL CO	361433
MID-AMERICA TEL INC	432010
MID-MISSOURI TEL CO	421917
MID-RIVERS TEL COOP	482246
MIDSTATE COMM., INC.	391670
MIDWAY TEL CO	330909



**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**COMPANIES PROVIDING NON-REGULATED BILLING AND  
COLLECTION SERVICES TO IXCS**

<u>STUDY AREA NAME</u>	<u>STUDY AREA CODE</u>
MILLINGTON TEL CO	290571
MILLRY TEL CO	250304
MINBURN TELECOMM.	351158
MOAPA VALLEY TEL CO.	552353
MOLALLA TEL CO.	532383
MON-CRE TEL COOP	250305
MONROE TELEPHONE CO.	532385
MOUNT HOREB TEL CO	330916
MT VERNON TEL CO	330917
MUTUAL TEL CO	351252
NE MISSOURI RURAL	421931
NEBRASKA CENTRAL TEL	371574
NELSON-BALL GROUND	220375
NEW CASTLE TEL. CO.	193029
NEW HOPE TEL COOP	250308
NEW LONDON TEL CO	421928
NEW ULM TELECOM, INC	361442
NEWPORT TEL CO	150107
NICHOLVILLE TEL CO	150108
NORTH ARKANSAS TEL	401713
NORTH CENTRAL COOP	290573
NORTH PENN TEL CO	170192
NORTHFIELD TEL CO	140061
NORTHWESTERN INDIANA	320800
OKLAHOMA COMM SYSTEM	431984
ONEIDA COUNTY RURAL	150111
ORCHARD FARM TEL CO	421934
OREGON FARMERS MUT	421935
ORISKANY FALLS TEL	150114
PANHANDLE TEL COOP	432016
PATTERSONVILLE TEL	150116
PBT TELECOM, INC.	240539
PEOPLES RURAL COOP	260415
PEOPLES TEL CO	250314
PEOPLES TEL COOP -TX	442130
PERKINSVILLE TEL CO	140062
PIEDMONT RURAL COOP	240538
PIGEON TEL CO	310721
PINE BELT TEL CO	250315
PINE TELEPHONE CO	432017
PINELAND TEL COOP	220377
PIONEER TEL ASSN INC	411817
PIONEER TEL COOP INC	432018
PLANT TEL. CO.	220379
POKA-LAMBRO TEL COOP	442131
PORT BYRON TEL CO	150118

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**COMPANIES PROVIDING NON-REGULATED BILLING AND  
COLLECTION SERVICES TO IXCS**

<u>STUDY AREA NAME</u>	<u>STUDY AREA CODE</u>
POTLATCH TEL CO INC	472230
POTTAWATOMIE TEL CO	432020
PRAIRIE GROVE TEL CO	401718
QUINCY TEL CO-FL DIV	210338
QUINCY TEL CO-GA DIV	220338
RAGLAND TEL CO	250316
RINGGOLD TEL CO	220382
ROANOKE & BOTETOURT	190249
ROCHESTER TEL CO	320815
ROOME TELECOMM INC	532375
ROOSEVELT CNTY RURAL	492272
S & A TEL CO INC	411829
SALUDA MOUNTAIN TEL	230498
SE TEL OF WISCONSIN	330952
SHIAWASSEE TEL CO	310726
SILVER STAR TEL- ID	472295
SILVER STAR TEL-WY	512295
SMART CITY TEL LLC	210330
SOMERSET TEL CO	100024
SOUTH ARKANSAS TEL	401702
SOUTH CENTRAL RURAL	260418
SOUTH PLAINS TEL	442143
SOUTHEAST MS TEL CO	283301
SOUTHERN KANSAS TEL	411833
SOUTHWESTERN TEL CO	452174
SPRINGPORT TEL CO	310728
SPRUCE KNOB SENECA	200257
ST STEPHEN TEL CO	240544
STAR MEMBERSHIP CORP	230502
STEELVILLE TEL EXCH	421949
STOCKBRIDGE & SHERWD	330954
STOUTLAND TEL CO	421951
STRASBURG TEL CO	462207
SUGAR VALLEY TEL CO	170206
SUNMAN TELECOMM CORP	320825
SUREWEST TEL.	542334
SW ARKANSAS TEL COOP	401724
TELLICO TEL CO	290578
TENINO TELEPHONE CO	522446
TENNESSEE TEL CO	290575
TENNEY TEL CO	330958
THE SISKIYOU TEL CO	542339
TOPSHAM TEL CO	140068
TOTELCOM COMM.	442060
TOWNSHIP TEL CO	150129
Tularosa Basin Tel.	492265

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**COMPANIES PROVIDING NON-REGULATED BILLING AND  
COLLECTION SERVICES TO IXCS**

<u>STUDY AREA NAME</u>	<u>STUDY AREA CODE</u>
TWIN LAKES TEL COOP	290579
UBTA-UBET/STRATA	502287
UNION TEL CO	120049
UNION TELEPHONE CO	512297
UNITED TEL ASSN	411841
UNITED UTILITIES INC	613023
UTC OF TN	290581
UTELCO, INC	330963
VALLEY TEL COOP-AZ	452176
VALLEY TELECOMM.	391685
VENTURE COMM. COOP	391680
VERNON TEL CO	150133
VOLCANO TEL CO	542343
WAITSFIELD/FAYSTON	140069
WARREN TEL CO	100031
WARWICK VALLEY-NJ	160135
WARWICK VALLEY-NY	150135
WAVERLY HALL, LLC	220392
WEBB-DICKENS TEL	351327
WEST KENTUCKY RURAL	260421
WEST LIBERTY TEL CO	351332
WEST PENOBSCOT TEL	100034
WEST TEXAS RURAL TEL	442166
WHIDBEY TEL CO.	522452
WILLISTON TEL CO	240551
WILTON TEL CO - NH	120050
WINTERHAVEN TEL. CO.	542323
WOLVERINE TEL CO	310738
WOOD COUNTY TEL CO	330974
WYANDOTTE TEL CO	432034
XIT RURAL TEL CO-OP	442170

**Company Example**  
**Alexicon USF/ICC Recovery Model**  
**For the Year Ended 12/31/2009**  
**PART 69-ADJUSTED**  
**Schedule: Alt NECA Pool**

**ATTACHMENT 1: Alexicon ICC Reform Example**

		COMMON LINE			SWITCHED ACCESS					SPECIAL				
(a)	(b)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
Line	Account/Category	Company Total	Interstate	Carrier Common Line	Base Factor Portion	Eq Acc	Local Switching	Information	Tandem Switching	Other Transport	Spcl Acc	B&C	Inter-exchange	Other
1														
2	Rate Base	\$ 9,616,046	\$ 4,007,741	\$ -	\$ 1,595,278	\$ -	\$ 516,835	\$ -	\$ -	\$ 133,025	\$ 1,762,603	\$ -	\$ -	\$ -
3	Rate of Return	10.52%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%
4	Return on Rate Base	\$ 1,011,701	\$ 450,871	\$ -	\$ 179,469	\$ -	\$ 58,144	\$ -	\$ -	\$ 14,965	\$ 198,293	\$ -	\$ -	\$ -
5														
6	Allowance for Funds Used During Constr	-	-	-	-	-	-	-	-	-	-	-	-	-
7														
8	Net Return on Rate Base	\$ 1,011,701	\$ 450,871	\$ -	\$ 179,469	\$ -	\$ 58,144	\$ -	\$ -	\$ 14,965	\$ 198,293	\$ -	\$ -	\$ -
9														
10	Return on Rate Base, less AFUDC	1,011,701	450,871	-	179,469	-	58,144	-	-	14,965	198,293	-	-	-
11	Operating Expenses	6,360,242	3,409,950	-	889,318	-	1,602,824	608	-	112,296	782,355	22,550	-	-
12	Federal Income Taxes	480,578	215,418	-	87,810	-	25,054	-	-	6,941	95,614	-	-	-
13	State Income Taxes	112,131	50,263	-	20,488	-	5,846	-	-	1,619	22,309	-	-	-
14	Line Port Shift Adjustment	-	-	-	214,075	-	(214,075)	-	-	-	-	-	-	-
15	Net Allocation of TIC Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
16	ICC Revenue Offset Adjustment	-	-	-	-	-	(1)	(0)	-	(0)	-	-	-	1
17	ICC Reform Shift Adjustment	-	-	-	1,614,221	-	(1,477,792)	(608)	-	(135,821)	-	-	-	-
18	Broadband HCL Recovery Adjustment	-	-	-	-	-	-	-	-	-	(183,871)	-	-	183,871
19	Corporate Operations Expense Cap (ICLS)	-	-	-	(1)	-	-	-	-	-	-	-	-	1
20	Revenue Requirement	\$ 7,964,652	\$ 4,126,501	\$ -	\$ 3,005,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 914,699	\$ 22,550	\$ -	\$ 183,873

Schedule: Alt NECA 2

		COMMON LINE			SWITCHED ACCESS					SPECIAL				
(a)	(b)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
Line	Account/Category	Company Total	Interstate	Carrier Common Line	Base Factor Portion	Eq Acc	Local Switching	Information	Tandem Switching	Other Transport	Spcl Acc	B&C	Inter-exchange	Other
22	<b>MAG SHIFT CALCULATION:</b>													
23	Revenue Requirement (before MAG)	\$ 7,964,652	\$ 4,126,501	\$ -	\$ 1,177,084	\$ -	\$ 1,691,867	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -	\$ -
24	Local Switching Support		(978,285)	-	-	-	(978,285)	-	-	-	-	-	-	-
25	Net Local Switching Revenue Reqmt		\$ 3,148,216	\$ -	\$ 1,177,084	\$ -	\$ 713,582	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -	\$ -
26	Basis of Adjustment					Default	Default							
27	Line Port Shift Adjustment		\$ -	\$ -	\$ 214,075	\$ -	\$ (214,075)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Rev Reqmt after Line Port Shift Adj & LSS		\$ 3,148,216	\$ -	\$ 1,391,159	\$ -	\$ 499,508	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -	\$ -
29	LESS: USF Contributions				(86,112)									
30	TIC Revenues (lesser of TIC or Rev Reqmt)				-					-				
31	Basis for TIC Allocation		\$ 3,039,554	\$ -	\$ 1,305,047	\$ -	\$ 499,508	\$ 608	\$ -	\$ 135,821	\$ 1,098,570			
32	Percentage Distribution		100.0000%	0.0000%	42.9355%	0.0000%	16.4336%	0.0200%	0.0000%	4.4685%	36.1425%			
33	TIC Revenue Allocation		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
34	Net Allocation of TIC Revenues		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
35	Revenue Requirement after MAG Shift:		\$ 4,126,501	\$ -	\$ 1,391,159	\$ -	\$ 1,477,793	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -	\$ -
36						0.0000%	91.5483%	0.0377%	0.0000%	8.4140%				
37														
38	<b>ICC REFORM SHIFT CALCULATION:</b>													
39	Revenue or Other Offset Adjustment	\$ 1	\$ -			\$ -	\$ (1)	\$ (0)	\$ -	\$ (0)				\$ 1
40	Revenue Requirement after Offset		\$ 4,126,501	\$ -	\$ 1,391,159	\$ -	\$ 1,477,792	\$ 608	\$ -	\$ 135,821	\$ 1,098,570	\$ 22,550	\$ -	\$ 1
41	Percentage Distribution - Switched Access					0.0000%	91.5483%	0.0377%	0.0000%	8.4140%				
42	Basis of Adjustment:													
43	% of Traffic Sensitive Rev Reqmt	100%				\$ -	\$ (1,477,792)	\$ (608)	\$ -	\$ (135,821)				
44	ICC REFORM SHIFT ADJUSTMENT		\$ -		\$ 1,614,221	\$ -	\$ (1,477,792)	\$ (608)	\$ -	\$ (135,821)				
45	Revenue Requirement after ICC REFORM Shift:		\$ 4,126,501	\$ -	\$ 3,005,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,098,570	\$ 22,550	\$ -	\$ 1